East Side House, Inc.

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

August 31, 2020

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ACCOUNTANTS AND ADVISORS

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, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 East Side House, Inc. as of August 31, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on page 19, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
March 16, 2021

East Side House, Inc.

Statement of Financial Position
August 31, 2020
(with comparative amounts at August 31, 2019)

ASSETS	2020	2019
Cash	$ 3,946,588	$ 3,728,745
Due from government agencies	7,874,857	7,771,353
Contributions receivable	-	182,692
Prepaid expenses and other assets	721,153	1,524,847
Investments	26,341,254	23,575,494
Property, plant and equipment, net	193,662	211,605
	$ 39,077,514	$ 36,994,736

LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 364,327	$ 975,772
Due to government agencies	895,786	483,131
Deferred revenue	11,698	1,270,461
Loans payable	4,544,217	-
Total Liabilities	5,816,028	2,729,364
Net Assets		
Without donor restrictions	23,856,827	25,267,206
With donor restrictions	9,404,659	8,998,166
Total Net Assets	33,261,486	34,265,372
	$ 39,077,514	$ 36,994,736

See notes to financial statements

East Side House, Inc.

Statement of Activities
Year Ended August 31, 2020
(with summarized totals for the year ended August 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
OPERATING INCOME				
Contributions foundations and charities	$ 1,371,172	$ 600,000	$ 1,971,172	$ 1,221,550
Contributions corporations and individuals	759,220	-	759,220	160,229
Government support	14,839,963	-	14,839,963	18,430,666
Donated services	-	-	-	211,357
United Way of New York City	-	-	-	622,500
Special events, net of direct benefits to participants of $3,744,858 and $4,241,539	250,643	-	250,643	605,722
Program fees	827,289	-	827,289	1,169,488
Investment return, net of investment fees of $167,470 and $150,227	188,135	176,287	364,422	370,016
Miscellaneous	22,086	-	22,086	19,725
Net assets released from restrictions	1,046,819	(1,046,819)	-	-
Total Operating Income	19,305,327	(270,532)	19,034,795	22,811,253
OPERATING EXPENSES				
Program Services				
Early childhood	3,635,893	-	3,635,893	4,024,889
Community centers	1,592,846	-	1,592,846	2,341,897
Education	10,610,913	-	10,610,913	12,962,111
Senior citizens	853,903	-	853,903	990,662
Harvest to Haven	266,930	-	266,930	-
Total Program Services	16,960,485	-	16,960,485	20,319,559
Supporting Services				
Management and general	4,236,492	-	4,236,492	2,679,926
Fundraising	78,931	-	78,931	235,804
Total Supporting Services	4,315,423	-	4,315,423	2,915,730
Total Operating Expenses	21,275,908	-	21,275,908	23,235,289
Deficiency of Operating Income Over Operating Expenses	(1,970,581)	(270,532)	(2,241,113)	(424,036)
NON-OPERATING ACTIVITY				
Pension liability adjustment	-	-	-	(136,362)
Net realized and unrealized gain on investments	560,202	677,025	1,237,227	367,657
Change in Net Assets	(1,410,379)	406,493	(1,003,886)	(192,741)
NET ASSETS				
Beginning of year	25,267,206	8,998,166	34,265,372	34,458,113
End of year	$ 23,856,827	$ 9,404,659	$ 33,261,486	$ 34,265,372

See notes to financial statements

East Side House, Inc.

Statement of Functional Expenses
Year Ended August 31, 2020
(with summarized totals for the year ended August 31, 2019)

	Program Services						Supporting Services				
	Early Childhood	Community Centers	Education	Senior Citizens	Harvest to Haven	Total Program Services	Management and General	Fundraising	Direct Costs of Special Events	2020 Total	2019 Total
Salaries	$ 1,858,276	$ 936,521	$ 6,789,310	$ 462,526	$ -	$ 10,046,633	$ 2,182,302	$ -	$ 163,008	$ 12,391,943	$ 13,532,241
Pension plan expense	85,757	10,819	55,265	4,518	-	156,359	299,956	-	-	456,315	160,321
Employee benefits	328,758	80,850	571,692	101,721	-	1,083,021	142,038	-	16,589	1,241,648	1,013,440
Payroll taxes	200,521	100,442	727,610	50,866	-	1,079,439	329,029	-	17,365	1,425,833	1,425,890
Professional fees and contract service payments	194,782	15,851	520,382	30,877	-	761,892	295,005	2,010	211,102	1,270,009	1,780,221
Advertising	-	-	19,987	-	-	19,987	125	5,236	220,686	246,034	322,749
Supplies	194,308	23,548	249,818	16,473	4,203	488,350	144,818	2,607	1,084	636,859	654,495
Telephone	75,909	1,222	18,806	3,006	-	98,943	67,928	-	-	166,871	219,391
Postage and shipping	200	-	1,483	9,155	215	11,053	10,855	137	9,690	31,735	54,787
Occupancy	78,236	550	6,097	70	60,000	144,953	12,955	-	2,415,389	2,573,297	2,335,771
Equipment rental and maintenance	422,904	26,988	77,003	17,148	2,381	546,424	196,670	-	1,870	744,964	770,324
Printing and publications	-	300	14,645	-	-	14,945	7,553	-	256,609	279,107	250,126
Program activity	183,539	27,705	489,001	9,506	190	709,941	371,723	-	95	1,081,759	1,712,665
Public relations	-	-	-	-	-	-	-	-	50,821	50,821	93,116
Events, conferences and travel	8,647	2,448	2,761	-	-	13,856	18,597	-	43,297	75,750	137,410
Investment fees	-	-	-	-	-	-	167,470	-	-	167,470	150,227
Depreciation	-	-	-	-	-	-	69,824	-	-	69,824	69,824
Insurance	2,324	20,795	48,396	2,842	-	74,357	-	68,005	2,993	145,355	187,335
Food	1,732	280,338	340,549	122,000	177,891	922,510	39,855	936	187,098	1,150,399	1,152,501
Provider stipends	-	-	71,772	-	-	71,772	-	-	-	71,772	98,612
Scholarships	-	-	65,425	-	-	65,425	120	-	-	65,545	58,358
Program indirect costs	-	64,469	540,551	23,195	-	628,215	-	-	-	628,215	1,029,166
Cost of car	-	-	-	-	22,050	22,050	148	-	-	22,198	317,078
Miscellaneous	-	-	360	-	-	360	46,991	-	147,162	194,513	101,007
Total expenses	3,635,893	1,592,846	10,610,913	853,903	266,930	16,960,485	4,403,962	78,931	3,744,858	25,188,236	27,627,055
Expenses deducted directly from revenues on the statement of activities											
Investment fees	-	-	-	-	-	-	(167,470)	-	-	(167,470)	(150,227)
Direct cost of special events	-	-	-	-	-	-	-	-	(3,744,858)	(3,744,858)	(4,241,539)
Total Expenses Reported by Function	$ 3,635,893	$ 1,592,846	$ 10,610,913	$ 853,903	$ 266,930	$ 16,960,485	$ 4,236,492	$ 78,931	$ -	$ 21,275,908	$ 23,235,289

See notes to financial statements

East Side House, Inc.

Statement of Cash Flows
Year Ended August 31, 2020
(with comparative totals for the year ended August 31, 2019)

CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
Change in net assets	$ (1,003,886)	$ (192,741)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gain on investments	(1,237,227)	(367,657)
Depreciation	69,824	69,824
Changes in operating assets and liabilities		
Due from government agencies	(103,504)	(1,966,636)
Contributions receivable	182,692	258,508
Prepaid expenses and other assets	803,694	600,772
Accounts payable and accrued expenses	(611,445)	18,119
Due to government agencies	412,655	(1,732,699)
Deferred revenue	(1,258,763)	320,388
Net Cash from Operating Activities	(2,745,960)	(2,992,122)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(51,881)	(131,717)
Purchase of investments	(10,086,777)	(11,004,371)
Proceeds from sale of investments	8,558,244	9,050,572
Net Cash from Investing Activities	(1,580,414)	(2,085,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	4,544,217	-
Net Change in Cash	217,843	(5,077,638)
CASH		
Beginning of year	3,728,745	8,806,383
End of year	$ 3,946,588	$ 3,728,745

See notes to financial statements

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.

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, 2019 from which the summarized information was derived.

Change in Accounting Principle

Effective September 1, 2019, the Organization adopted new U.S. GAAP guidance Accounting Standards Update ("ASU") 2018-08 Contributions Received and Contributions Made. The ASU provides a framework for evaluating whether grants or contributions should be accounted for as exchange transactions or as non-exchange transactions. Adoption of the ASU resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to prior audited financial statements were required on a modified retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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

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.

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. At times cash deposits may exceed the federally insured limits of the financial institution and expose the Organization to credit risk.

As of August 31, 2020 and 2019, approximately $5,483,000 and $3,642,000 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, 2020 and 2019.

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

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.

Investments

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Changes in unrealized gains or losses are included in the statement of activities in the determination of the change in net assets.

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 expended 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.

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

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.

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 position.

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.

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

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, 2017.

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 16, 2021.

3. Investments and Investment Return

Investments consist of the following at August 31:

	2020	2019
Cash and cash equivalents	$ 2,232,790	$ 210,358
Fixed Income Securities		
Corporate bonds	19,796	2,559,671
Common Stocks		
Health Care	1,209,237	974,392
Consumer Staples	525,537	461,153
Information Technology	1,017,416	746,316
Consumer Discretionary	993,680	1,241,013
Industrials	770,184	724,964
Materials	270,432	228,281
Financials	1,050,098	1,394,403
Telecommunication Services	859,764	769,451
Utilities	89,643	117,349
Energy	102,429	214,979
Miscellaneous	830,545	835,669
	7,718,965	7,707,970
Mutual Funds/ EFTs		
Fixed income	9,929,421	7,774,536
Public equity	5,055,360	4,259,736
Various	1,384,922	1,063,223
	16,369,703	13,097,495
	$ 26,341,254	$ 23,575,494

3. Investments and Investment Return *(continued)*

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

	2020	2019
Interest and dividends from investments, net	$ 364,422	$ 370,016
Realized and unrealized gain on investments	1,237,227	367,657
	$ 1,601,649	$ 737,673

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:

	2020		
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Mutual funds	$ 16,369,703	$ -	$ 16,369,703
Common stocks	7,718,965	-	7,718,965
Fixed income securities	-	19,796	19,796
Total Investments at Fair Value	$ 24,088,668	$ 19,796	24,108,464
Cash and cash equivalents			2,232,790
			$ 26,341,254

	2019		
Description	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

There were no transfers between Level 1 and 2 of the fair value hierarchy during 2020 and 2019.

4. Property, Plant and Equipment

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

	2020	2019
Buildings and improvements	$ 1,292,279	$ 1,282,037
Furniture and equipment	1,254,570	1,212,931
Computers	72,374	72,374
	2,619,223	2,567,342
Accumulated depreciation	(2,425,561)	(2,355,737)
	$ 193,662	$ 211,605

The cost of furniture and equipment purchased for the Early Learn/Head Start program as of August 31, 2020 and 2019 amounted to $115,034 and $55,465. These purchases are not depreciated as the grantor retains a residual interest in the property.

5. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions for the year ended August 31 consist of the following:

	2020			
Purpose / Restriction	Balance August 31, 2019	Additions	Releases	Balance August 31, 2020
Unappropriated endowment earnings				
Education programs	$1,142,161	$ 780,109	$ (330,153)	$1,592,117
General operating activities	1,854,736	73,203	(63,376)	1,864,563
	2,996,897	853,312	(393,529)	3,456,680
Education programs	(1,211)	600,000	(418,788)	180,001
Timing	234,502	-	(234,502)	-
Held in perpetuity				
Education programs	4,592,698	-	-	4,592,698
General operating activities	1,175,280	-	-	1,175,280
Total Held in Perpetuity	5,767,978	-	-	5,767,978
	$8,998,166	$1,453,312	$(1,046,819)	$9,404,659

	2019			
Purpose / Restriction	Balance August 31, 2018	Additions	Releases	Balance August 31, 2019
Unappropriated endowment earnings				
Education programs	$ 878,402	$ 322,542	$ (58,783)	$1,142,161
General operating activities	1,965,449	114,068	(224,781)	1,854,736
	2,843,851	436,610	(283,564)	2,996,897
Education programs	(91,043)	660,000	(570,168)	(1,211)
Timing	220,000	185,000	(170,498)	234,502
Held in perpetuity				
Education programs	4,592,698	-	-	4,592,698
General operating activities	1,175,280	-	-	1,175,280
Total Held in Perpetuity	5,767,978	-	-	5,767,978
	$8,740,786	$1,281,610	$(1,024,230)	$8,998,166

6. Funds Held for Long-Term Investments

Application of Law

New York Prudent Management of Institutional Funds Act ("NYPMIFA") requires the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result, the Board classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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:

	2020	2019
Balance, beginning of year	$ 8,764,875	$ 8,611,829
Investment income, net	176,287	189,215
Capital appreciation	677,025	247,395
Appropriated for expenditure	(393,529)	(283,564)
Balance, end of year	$ 9,224,658	$ 8,764,875

7. Loans

On April 9, 2020, the Organization received loan proceeds in the amount of $2,544,217 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 0.98% per annum. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Covered Period and does not qualify for certain safe harbors. Although, the Organization believes this loan will be substantially or fully forgiven, there can be no guarantee that the United States Small Business Administration ("SBA") will approve the loan forgiveness. The unforgiven portion of the PPP Loan, if any, is payable within two years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is determined by the SBA. If the Organization does not apply for forgiveness, payments begin approximately 24 months after the loan date. As of August 31, 2020, the PPP loan is recognized as a debt on the statement of financial position. The Organization will recognize the income from the forgiveness of the PPP loan when it receives the notification of forgiveness from the SBA in accordance with Accounting Standards Codification ("ASC)" 470 Debt. The SBA has stated it will review the needs certification on all loans over $2,000,000. After the review, the SBA may determine that the Organization did not meet the need criteria to apply for the PPP loan. In such a circumstance, the Organization may be forced to return part or all of the PPP loan proceeds plus pay the accrued and unpaid interest. The Organization believes it was eligible to receive the PPP loan proceeds.

On May 6, 2020, the Organization received loan proceeds in the amount of $2,000,000 from the Nonprofit Finance Fund. Repayment on the loan is to be made with four equal quarterly payments beginning on August 8, 2022. The loan bears no interest and is payable in full upon maturity on May 8, 2023. The proceeds of the Loan will be used only for working capital or bridge financing in connection with delays in the Organization's receipt of earned or contributed revenues attributable to the COVID-19 health crisis. The loan defaults at the occurrence of any one or more of the events listed per the loan agreement.

The future scheduled maturities of long-term debt are as follows:

Years ending August 31,:	
2021	$ -
2022	3,044,217
2023	1,500,000
2024	-
2025	-
Thereafter	-
Total loans	4,544,217
Expected to be forgiven (PPP loan)	(2,544,217)
	$ 2,000,000

8. Pension Plans

Defined Contribution Plan

The Organization also has a defined contribution 401(k) 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 $148,032 and $126,446 for the years ended August 31, 2020 and 2019.

Deferred Compensation

The Organization has a Rabbi Trust set up for executive staff. The Organization made deferred compensation payments on behalf of various management members that amounted to $78,000 and $33,875 for the years ended August 31, 2020 and 2019.

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, 2020 and 2019 is outlined in the table below. The most recent Pension Protection Act (“PPA”) zone status available for the Plan is June 30, 2020.

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, 2020 and 2019.

Pension Fund	EIN Plan Number	Plan Number	Pension Protection Act Zone Status		Total Persion Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2020	2019	2020	2019	
The Head Start Sponsoring Board Council of the City of New York Plan	13-3152121	001	Green	Green	$ 60,072	$ 39,088	January 31, 2022

9. 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 are as follows:

	2020	2019
Cash	$ 3,946,588	$ 3,728,745
Due from government agencies	7,874,857	7,771,353
Contributions receivable	-	182,692
Other assets	471,017	880,214
Investments	26,341,254	23,575,494
Total Financial Assets Available within One Year	38,633,716	36,138,498
Less amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions:		
Unexpended net assets with donor restrictions	(3,636,681)	(3,230,188)
Net assets with donor restrictions held in perpetuity	(5,767,978)	(5,767,978)
	(9,404,659)	(8,998,166)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	$ 29,229,057	$ 27,140,332

10. 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 year ended August 31, 2019 was $211,357. For the year ended August 31, 2020, there was no donated services.

11. Commitments and Contingencies

The Organization leases office, program and event space under a separate operating leases. Aggregate minimum annual rental payments at August 31, 2020 for the years ending August 31, are payable as follows:

2021	$ 366,300
2022	268,800
2023	275,520
2024	282,408
2025	289,468
Thereafter	79,475
	$1,561,971

The lease for the program and office space contains lease renewal options for a period of five years and requires the organization to pay all executory costs such as taxes, utilities, maintenance, and insurance.

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.

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.

12. 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 $7,874,857 and $7,771,353 as of August 31, 2020 and 2019. Receivables are expected to be collected in the normal course of business.

* * * * *

East Side House, Inc.

Uniform Guidance Reports and Schedules

August 31, 2020

East Side House, Inc.

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Sub-Recipients	Total Federal Expenditures
U.S. Department of Agriculture				
Pass-through New York State Department of Health				
Child and Adult Care Food Program	10.558	3391	$ -	$ 198,639
U.S. Department of Education				
Pass-through New York City Department of Education				
Title I Grants to Local Educational Agencies	84.010	QR151BG	-	101,114
Student Support and Academic Enrichment Program	84.424	QR151BG	-	10,603
Twenty-First Century Community Learning Centers	84.287	QR151BG	-	148,114
Total U.S. Department of Education			-	259,831
U.S. Department of Health and Human Services				
Head Start	93.600	02CH010938	-	3,137,227
Pass-through New York City Department for the Aging				
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Support Services and Senior Centers	93.044	20170000217	-	15,653
Special Programs for the Aging, Title III, Part B, Support Services and Senior Centers	93.044	20170000216	-	6,808
			-	22,461
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	20170000217	-	68,561
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	20170000216	-	29,817
			-	98,378
Nutrition Services Incentive Program	93.053	20170000217	-	35,852
Nutrition Services Incentive Program	93.053	20170000216	-	15,592
			-	51,444
Total Aging Cluster			-	172,283
Social Services Block Grant	93.667	20170000217	-	73,322
Social Services Block Grant	93.667	20170000216	-	31,888
			-	105,210
Pass-through New York City Department of Youth and Community Development				
Community Services Block Grant	93.569	810109A	-	65,333
Community Services Block Grant	93.569	810111A	-	22,972
Community Services Block Grant	93.569	831210A	-	97,209
			-	185,514
Total U.S. Department of Health and Human Services			-	3,600,234
Total Expenditures of Federal Awards			$ -	$ 4,058,704

See independent auditors' report and notes to schedule of expenditures of federal awards

East Side House, Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2020

1. Basis of Presentation

The accompanying schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of East Side House, Inc. (the "Organization") under programs of the federal government for the year ended August 31, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimus indirect cost rate allowable under the Uniform Guidance.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Board of Managers
East Side House, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Side House, Inc. (the "Organization"), which comprise the statement of financial position as of August 31, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

The Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
March 16, 2021

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Managers
East Side House, Inc.

Report on Compliance for Each Major Federal Program

We have audited East Side House, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, East Side House, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
March 16, 2021

East Side House, Inc.

Schedule of Findings and Questioned Costs
Year Ended August 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified?	__X__ yes _____none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified?	_____ yes __X__ none reported
Type of auditors' report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes __X___ no

Identification of major Federal program:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B program:	$750,000
Auditee qualified as low-risk auditee?	__X__ yes ____ no

Section II – Financial Statement Findings

Finding 2020-001 Audit Readiness

Criteria

The Organization was not ready for audit.

Condition

Management was not prepared for the audit in accordance with the timeline outlined in the pre-audit planning meeting with management.

Section II – Financial Statement Findings *(continued)*

Finding 2020-001 Audit Readiness *(continued)*

Condition

The original trial balance provided to the audit team was not properly reconciled and required two updates prior to being able to commence the audit process. Among the accounts that were not properly reconciled on a timely basis include: cash, investments, prepaid expenses, accounts payable, American Express charges, payroll liabilities, net assets and salary expense. Some of these reconciliations were not received until 6 months after the end of East Side House fiscal year or 3 months from commencement of our audit.

Effect

Certain cash accounts are not being reconciled in a timely manner.

Certain investment accounts were not reconciled in a timely manner and transactions were not recorded until well after the end of the fiscal year. These transactions included a new loan obtained from the Non Profit Finance Fund and deposited into the investment accounts not reflected on the books. Timely reconciliation of these accounts would have discovered this. As a result, assets and liabilities were understated by $2,000,000. In addition, another investment account was not reconciled in a timely manner and therefore purchase and sale transactions were not reflected on the books.

Our audit procedures revealed that certain items remaining in the year-end accounts payable balance had already been paid. This causes expenses to be overstated. In addition, several months of American Express charges were not recorded causing the American Express payable account to have a significant debit balance and expense accounts to be understated.

When reversing the 2019 payroll accrual the journal entry was entered in reverse. This created an overstatement in the payroll expense account and the payroll liability of approximately $928,000. Timely reconciliation would have discovered this and periodic reporting would have been corrected throughout the year, as this incorrect entry was posted in the beginning of the fiscal year.

In addition, 401K employer contributions were recorded as liabilities as opposed to expense. This was caused because periodic accruals of the employer contributions were not made, therefore understating the expense.

Cause

Changes made within the Organization’s accounting staff during the year was primary reason for the condition noted above as well as challenges that arose due to the COVID-19 pandemic that the Organization was not prepared for.

Section II – Financial Statement Findings *(continued)*

Finding 2020-001 Audit Readiness *(continued)*

Recommendation

We understand that this year was a challenge due to COVID-19, however it is of utmost importance to perform account reconciliations in a timely manner. Once these account reconciliations are completed, they should be reviewed and approved by a senior level member of the finance department. Taking these steps, will enable management to have accurate financial data in order to meet its periodic reporting responsibilities. In addition, the Organization will be ready for audit in a timely manner, audit adjusting journal entries will be reduced to a minimum and year-end reporting will be completed earlier.

Views of Responsible Officials

See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federally financially assisted programs are questioned or recommended to be disallowed.

East Side House, Inc.

Schedule of Prior Year Audit Findings
Year Ended August 31, 2020

Finding 2019-001 Accounts Receivable Reconciliations

Condition

The accounts receivable and due to government agencies reconciliations are not being prepared and reconciled on a timely basis throughout the year which caused material post-closing adjustments.

Recommendation

We recommend that the accounting staff prepare the accounts receivable and corresponding due to government agencies reconciliations on a timely basis and that these are then reviewed and approved by the Chief Financial Officer. By performing these reconciliations and reaching out to government funding agencies in a timely manner, account balances will be up to date.

Current Status

Cleared.

East Side House
SETTLEMENT
337 Alexander Avenue
Bronx, New York 10454
Tel (718) 665-5250
Fax (718) 585-1433
www.eastsidehouse.org

East Side House Inc.

April 7, 2021

Corrective Action Plan – Schedule of Findings and Questioned Costs

FINDING	Corrective Action Plan
Finding 2020-001 – Audit Readiness	Due to a pandemic, East Side House was not as prepared for the audit as it should have been. We moved to a Cloud environment in July, and this caused some delay in reconciling accounts. We do not foresee this being an issue in the future.

Amy M Smitherman
Chief Financial Officer

Daniel Diaz
Executive Director