

PEIDC | PITTSBURGH ECONOMIC &
INDUSTRIAL DEVELOPMENT CORPORATION

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**412 Blvd of the Allies
Pittsburgh, PA 15219**

PEIDC

Membership Report

2019

Introduction

The Pittsburgh Economic & Industrial Development Corporation (PEIDC) was established in 1995 to serve as the City of Pittsburgh's industrial development corporation for real estate development. It is a member-based organization with its membership consisting of private real estate developers, community development organizations, lenders and development professionals. With Internal Revenue Service 501 (c) (3) non-profit corporation status the PEIDC is able to purchase real estate for development, obtain private and public financing, and sell or lease real estate; all for projects where private real estate developers will not or cannot undertake industrial or commercial development projects.

Since its establishment, the PEIDC has operated under an Administrative Agreement with the Urban Redevelopment Authority which provides staffing for PEIDC activities in return for 75% of the PEIDC's net operating revenue. This relationship enables the close coordination of activities with the City's development agency.

Financial Condition

The highlights of the audited financial statements as of December 31, 2019, included in this Report are as follows:

*** Total Assets were \$3,802,342 with Total Liabilities of \$255,225 resulting in Total Net Assets of \$2,535,894.

*** Included in the Total Assets is end of year cash totaling \$1,773,733

*** Revenues and Support for the year was negative \$391,576, due to the retirement of uncollectable proceeds from past related party transactions and Operating Expenses were \$612,735, due to payment of administrative fees to the URA that had accrued, resulting in a negative Change in net assets of \$1,004,311.

*** The sixth (6th) of thirty (30) annual interest free installments of \$15,591 was made in June to amortize the default obligation on the R H Kuhn PIDA loan. The remaining payments total \$374,191.

*** Within Leased Property 1604-1616 Broadway Avenue under lease to Market on Broadway IGA provided Lease income totaling \$52,338 with property management expenses of \$9,135 paid to the Management and General Fund as an Administrative Fee and \$9,000 for leaf removal and sidewalk repair resulting in a net before depreciation of \$15,947.

Real Estate Portfolio

Market on Broadway IGA

Neighborhood:	Beechview
Address:	1604-1616 Broadway Avenue
Building Area:	20,800 +/- SF
Use:	Full service grocery store on first level, mothballed office space on the second
Cost:	\$850,500
Lessee:	Market on Broadway, Inc.
Type of Lease:	Triple Net
Lease Commencement:	October 1, 2011

Lease Term:	10 years to September 30, 2021
Option:	One (1) five (5) year term
Monthly Rent:	\$4,621.67 which equates to \$3.75 per SF
Percentage Rent:	1% of sales over \$2,660,000
Jobs on Site:	15 to 20
Annual City\School District	
Real Estate Taxes:	\$ 6,525
2016 Assessment	\$375,000

PIDA Loan Portfolio

Since its inception, the PEIDC has received approval for 22 PIDA loans. Of these approvals, 15 loans closed for a total of \$14.37 million. The PEIDC acts as a conduit with liability to PIDA for 50% of any loan balance after liquidation of collateral, typically second mortgages on project real estate, and exercise of any personal guarantees. Of the closed loans, thirteen (13) have been fully repaid to date. The remaining PIDA loan is with Stagno's Bakery.

Stagno's Bakery in the City's Larimer neighborhood is under a Forbearance Agreement which calls for the loan to be paid in full by 2021. They have made steady monthly payments which has reduced the outstanding principal at year's end to \$94,234.

In 2019, the PEIDC became recertified as a Community Economic Development Organization in order to facilitate PIDA loans going forward. The certification had lapsed due to the low interest rate available in the market and the loan loss reserve requirements. The State run program has since changed and includes products with longer amortizations, making the funding attractive. In addition, they no longer require a loan loss reserve to be held by the CEDO. As of the date of this meeting, there are no new PIDA loan as part of the PEIDC portfolio.

2019 Activities

2019 saw a number of projects move from speculative to pipeline due to movement by third parties involved in the projects. In Larimer the Phase IV Larimer Choice project was awarded Low Income Housing Tax Credits, paving the way for the financing to proceed and plans to continue to be developed on the reutilization of the former Larimer School into a mixed-use project. As part of this PEIDC is working with the project partners to Master Lease the gym and auditorium spaces. This lease is in negotiation, and PEIDC is in discussions with tenants that the community has been working with to provide a community kitchen and event space. The board has also been working with The Penguins, and the Mosites Company on a project in the former Hunt Armory building. They have plans to develop a skating facility with parking and office

space. PEIDC has been in discussions with all parties on the financing as well as structuring of the condominiums that would be part of his mixed-use project.

The board also considered becoming certified as a Community Development Financing Institution. In their efforts for this designation, that would bring more capital and operating funds to the City of Pittsburgh, they engaged a consultant to evaluate the appropriateness of PEIDC seeking this certification. The evaluation concluded that a new non profit should be formed to seek this certification.

2020 Activities and Outlook

The PEIDC anticipates a considerable ramp up on the PIDA loan program in 2020. Currently, the program has 7 borrowers in various stages of State submittal. This program along with the administration of the new COVID-19 Working Capital Access program, just launching from the State should increase the number of loans that will be administered by PEIDC.

The COVID-19 Working Capital Access Program was launched in mid-March 2020 in response to the emergency capital needs of small business throughout the State. This program offers a 0% loan to borrowers, and allows them to request funds for 3-6 months of past working capital needs. They have eased some of the process and underwriting guidelines to make it quicker and more efficient for borrowers in need. PEIDC staff is eager to utilize this program to maximum effect in 2020.

The PEIDC continually seeks additional neighborhood projects in which the private sector is not willing to undertake development risks, but would result in a high impact improvement to a commercial and/or industrial/distribution district. It is such high risk, but high benefit neighborhood projects the PEIDC seeks and is well positioned financially to undertake.

2019 Report to the Membership

of the

**Pittsburgh Economic & Industrial Development
Corporation**

April 8, 2020

PITTSBURGH ECONOMIC & INDUSTRIAL DEVELOPMENT CORPORATION

Board of Directors

Glenn Groninger, Chair
PNC Bank
Term expires 12/31/2021

Lindsay Powell, Vice-Chair
Assistant Chief of Staff
Term expires 12/31/2019

Vacant, Secretary

Malik G. Bankston, Treasurer
The Kingsley Association
Term expires 12/31/2019

Senator Wayne Fontana, Member
State Senate
Term expires 12/31/2020

Thomas Hardy, Member
Central North Side Neighborhood Council
Term expires 12/31/2021

Margaret Qualters, Member
QM Consulting
Term expires 12/31/2021

Claudia Steeb, Member
Holliday, Fenoglio, Fowler, LP
Term expires 12/31/2019

Monica Ruiz, Member
Casa San Jose
Term expires 12/31/2020

Staff

Rebecca Davidson-Wagner, Acting-President
Nathan Clark, Esq., Counsel



McGee Maruca & Associates, P.C.

Certified Public Accountants
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Leslie A. McGee, C.P.A.
Lisa Maruca DiPardo, C.P.A.

June 3 , 2020

Ms. Rebecca Davidson-Wagner
President
Pittsburgh Economic and
Industrial Development Corporation
412 Blvd. of Allies
Pittsburgh, PA 15219

Dear Rebecca:

I have enclosed three bound and one unbound copies of the December 31, 2019 audit report and governance letter for the Pittsburgh Economic and Industrial Development Corporation.

If you should have any questions, please do not hesitate to call.

Sincerely,

Leslie A. McGee, CPA
McGee Maruca & Associates, P.C.



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Leslie A. McGee, C.P.A.
Lisa Maruca DiPardo, C.P.A.

March 19, 2020

To the Board of Directors
Pittsburgh Economic and Industrial Development Corporation
Pittsburgh, PA

We have audited the financial statements of Pittsburgh Economic and Industrial Development Corporation for the year ended December 31, 2019 and have issued our report thereon dated March 19, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 6, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pittsburgh Economic and Industrial Development Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no sensitive estimates affecting the financial statements for the year ended December 31, 2019.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Commitments in Note 7 to the financial statements. The note details the Organization's possible commitment to the PIDA loan guarantees.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 19, 2020.

Management Consultations with Other Independent Accountants.

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Finance Committee, Board of Directors and management of Pittsburgh Economic and Industrial Development Corporation and should not be used for any other purpose.

Very truly yours,

A handwritten signature in black ink that reads "McGee Maruca & Associates, P.C." in a cursive, slightly stylized font.

McGee Maruca & Associates, P.C.

**PITTSBURGH ECONOMIC AND INDUSTRIAL
DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)**

**Financial Statements
And Supplementary Information
December 31, 2019**

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION

Table of Contents

December 31, 2019

	<u>Pages</u>
Independent Auditor's Report	1 – 2
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 – 13
<u>Supplementary Information:</u>	
Independent Auditor's Report on Supplementary Information	14
Schedule of Financial Position by Project	15
Schedule of Activities by Project	16
Combining Schedule of Leased Property Fund Financial Position	17
Combining Schedule of Leased Property Fund Activities	18



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Leslie A. McGee, C.P.A.
Lisa Maruca DiPardo, C.P.A.

Independent Auditor's Report

To the Board of Directors
Pittsburgh Economic and Industrial Development Corporation
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Pittsburgh Economic and Industrial Development Corporation (a nonprofit organization) which comprise the statement of financial position as of December 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.

Auditor's 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 of 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 Pittsburgh Economic and Industrial Development Corporation as of December 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 the Pittsburgh Economic and Industrial Development Corporation's 2018 financial statements, and our report dated March 21, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McLee Maruca & Associates, P.C.

March 19, 2020

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Statements of Financial Position

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,773,733	\$ 2,275,465
Receivables (no allowance for doubtful accounts deemed necessary)	7,603	25,595
Prepaid expenses	3,453	3,324
Total current assets	<u>1,784,789</u>	<u>2,304,384</u>
Other assets:		
Property on lease	875,542	875,542
Less accumulated depreciation	(221,839)	(192,909)
Net property on lease	653,703	682,633
Predevelopment costs	352,627	815,325
Total other assets	<u>1,006,330</u>	<u>1,497,958</u>
Total assets	<u>\$ 2,791,119</u>	<u>\$ 3,802,342</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 6,339	\$ 6,742
Current portion of long-term liabilities	6,739	6,508
Total current liabilities	<u>13,078</u>	<u>13,250</u>
Long-term liabilities:		
PIDA Loan, long-term	242,147	248,887
Total long-term liabilities	<u>242,147</u>	<u>248,887</u>
Total liabilities	<u>255,225</u>	<u>262,137</u>
Net assets:		
Without donor restrictions	2,535,894	3,540,205
With donor restrictions	-	-
Total net assets	<u>2,535,894</u>	<u>3,540,205</u>
Total liabilities and net assets	<u>\$ 2,791,119</u>	<u>\$ 3,802,342</u>

See accompanying notes to the financial statements.

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Statement of Activities

For the Year Ended December 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues and support:				
Lease income	\$ 54,013	\$ -	\$ 54,013	\$ 52,338
Administrative fees	-	-	-	12,000
Interest income	17,107	-	17,107	9,455
Other income	-	-	-	52,479
Gain (Loss) on sale of assets	(462,696)	-	(462,696)	-
Net assets released from restrictions:				
Restrictions satisfied by payments	-	-	-	-
Total revenues and support	<u>(391,576)</u>	<u>-</u>	<u>(391,576)</u>	<u>126,272</u>
Expenses:				
Program services	63,661	-	63,661	41,263
Management and general	<u>549,074</u>	<u>-</u>	<u>549,074</u>	<u>140,142</u>
Total operating expenses	<u>612,735</u>	<u>-</u>	<u>612,735</u>	<u>181,405</u>
Change in net assets	(1,004,311)	-	(1,004,311)	(55,133)
Net assets at beginning of year	<u>3,540,205</u>	<u>-</u>	<u>3,540,205</u>	<u>3,595,338</u>
Net assets at end of year	<u>\$ 2,535,894</u>	<u>\$ -</u>	<u>\$ 2,535,894</u>	<u>\$ 3,540,205</u>

See accompanying notes to the financial statements.

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Statement of Functional Expenses

For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Program Services Property Development	Management and General	Fundraising	2019 Total	2018 Total
Depreciation	\$ 28,931	\$ -	\$ -	\$ 28,931	\$ 28,925
Insurance	-	4,475	-	4,475	6,013
Interest expense	-	8,968	-	8,968	9,195
Administration fee	-	500,000	-	500,000	100,000
Other	25,595	35,631	-	61,226	24,934
Property operations expenses	9,135	-	-	9,135	12,338
	<u>\$ 63,661</u>	<u>\$ 549,074</u>	<u>\$ -</u>	<u>\$ 612,735</u>	<u>\$ 181,405</u>

See accompanying notes to the financial statements.

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Statements of Cash Flows

For the Years Ended December 31

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,004,311)	\$ (55,133)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	28,931	28,925
(Gain) loss on sale of assets	462,696	-
Changes in operating assets and liabilities:		
Decrease in account receivables	17,992	-
(Increase) decrease in prepaid expenses	(129)	1,581
Increase (decrease) in accounts payable	<u>(403)</u>	<u>839</u>
Net cash used by operating activities	<u>(495,224)</u>	<u>(23,788)</u>
Cash flows from financing activities:		
Principal payments and current maturities of notes payable and long-term liabilities	<u>(6,508)</u>	<u>(6,283)</u>
Net cash used by financing activities	<u>(6,508)</u>	<u>(6,283)</u>
Net decrease in cash and cash equivalents	(501,732)	(30,071)
Cash and cash equivalents at beginning of year	<u>2,275,465</u>	<u>2,305,536</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,773,733</u></u>	<u><u>\$ 2,275,465</u></u>
Supplemental disclosure:		
Cash paid during the year for interest expense	<u><u>\$ 8,968</u></u>	<u><u>\$ 9,195</u></u>

See accompanying notes to the financial statements.

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Notes to the Financial Statements

December 31, 2019

(1) **Organization**

The Pittsburgh Economic and Industrial Development Corporation (PEIDC), a membership organization, is incorporated under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania, and is an organization described in Internal Revenue Code Section 501(c)(3) and thus exempt from Federal income taxes. Its purpose is to formulate, implement and promote commercial, industrial and other economic development goals, strategies and projects in the City of Pittsburgh and portions of the Mon Valley.

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

(a) **Basis of Presentation**

The financial statements of PEIDC have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require PEIDC to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of PEIDC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of PEIDC or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Notes to the Financial Statements, continued

December 31, 2019

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

(b) **Measure of operations**

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to PEIDC's ongoing property development and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. There were no nonoperating activities for the year ended December 31, 2019.

(c) **Cash Equivalents**

For purposes of cash flows, Pittsburgh Economic and Industrial Development Corporation considers all unrestricted highly liquid investments with original maturities of 365 days or less to be cash equivalents.

(d) **Fixed Assets**

Fixed assets are capitalized at cost, including interest during construction or the period in which the asset is prepared for its intended use. Depreciation is provided by the straight-line method during the estimated useful life, which range from 15 to 30 years for buildings and improvements. PEIDC's policy is to capitalize acquisitions greater than \$5,000 and expense normal repairs and maintenance as incurred. PEIDC assesses for impairment losses when conditions warrant.

(e) **Development Costs**

Development costs are capitalized and include property acquisition, predevelopment, and construction costs related to various projects. Certain projects may be operating units during the period between acquisition and the commencement of construction activities; however, such projects are not depreciated when construction is expected to begin in less than twelve months from the acquisition date.

(f) **Revenues**

Rental revenues are recorded as earned in accordance with applicable leases.

(g) **Functional Allocation**

All the costs of PEIDC are directly identifiable expenses. There are no expenses related to more than one function or general supporting services of the Organization. Since all costs are direct program expenses and direct management and general expenses there is no functional allocation of costs beyond direct program services and management and general.

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Notes to the Financial Statements, continued

December 31, 2019

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

(h) **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

(i) **Income Taxes**

The Internal Revenue Service has determined that the PEIDC is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The Corporation is not classified as a private foundation. The Financial Accounting Standards Board (FASB) has issued FASB ASC No. 740, which clarifies accounting principles generally accepted in the United States of America for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FASB ASC No. 740 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. PEIDC has evaluated uncertain tax positions in accordance with FASB ASC No. 740 and has determined there is no material impact on PEIDC's financial position or results of operations for the year ended December 31, 2019.

The Organization annually files a Federal Exempt Organization Tax Return (Form 990) as applicable. The filed form is subject to examination by the Internal Revenue Service generally for three years after it is filed.

(j) **Fair Value**

In September, 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards FASB ASC No. 820, "Fair Value Measurements", which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. This pronouncement does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. The carrying value of PEIDC's cash, accounts receivable, prepaid expenses, accounts payable and accrued expenses approximates fair value primarily because of the short maturity of these instruments.

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Notes to the Financial Statements, continued

December 31, 2019

(3) **Concentration of Credit Risk**

The PEIDC maintains its cash and certificates of deposit balances at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The cash account balances at this institution did exceed the federally insured limit at December 31, 2019 by \$1,525,815.

(4) **Net Assets**

Net assets without donor restrictions for the year ended December 31, 2019 is follows:

Undesignated	\$2,135,894
Quasi endowment	<u>400,000</u>
Total	<u>\$2,535,894</u>

The Quasi endowment of \$400,000 has been designated by the Board for a loan reserve.

(5) **Leases**

PEIDC is the lessor of industrial properties under operating leases expiring in various years through 2021. The following is a summary of property on lease as of December 31, 2019:

Land	\$ 34,800
Building and improvements	<u>840,742</u>
	875,542
Less accumulated depreciation	<u>(221,839)</u>
Total	<u>\$653,703</u>

Minimum future rentals to be received on noncancelable leases as of December 31, 2019 for each of the next five years and in the aggregate are:

<u>Year</u>	<u>Amount</u>
2020	\$ 53,149
2021	36,973
2022 and thereafter	<u>0</u>
Total	<u>\$90,122</u>

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Notes to the Financial Statements, continued

December 31, 2019

(6) **Notes Payable and Long-Term Liabilities**

PEIDC has the following long-term obligations as of December 31, 2019:

PA Industrial Development Authority

On July 4, 2014 PEIDC entered into an agreement to repay PA Industrial Development Authority (PIDA) \$467,739 relating to borrower R.H. Kuhn's default on PIDA guaranteed loan.

The loan is interest free. Principle payments of \$15,591 are due annually beginning July 2014. A loan discount using a rate of 3.5% has been applied. The loan is reported in the Statement of Financial Position net of unamortized discount of \$125,305 at December 31, 2019.

The discount on the loan is being amortized to interest expense over the life of the loan. Imputed interest expense of \$8,968 was reported in the Accompanying Statement of Activities for the year ending December 31, 2019.

Loan Balance at December 31, 2019	\$374,191
Unamortized discount	<u>(125,305)</u>
Total	<u>\$248,886</u>

Scheduled maturities of long-term liabilities for each of the next five years and thereafter are as follows.

<u>Year</u>	<u>Amount</u>
2020	\$ 6,739
2021	6,979
2022	7,227
2023	7,484
2024	7,750
2025 and thereafter	<u>212,708</u>
Total	<u>\$248,887</u>

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Notes to the Financial Statements, continued

December 31, 2019

(7) **Commitments**

PEIDC has made commitments for 1 project financed by PIDA, which in the event of default by any of the corporate borrowers of PIDA funds, could result in PEIDC liability to PIDA for 50% of the then outstanding balance of the defaulted loans. PIDA loans outstanding for which the PEIDC has made guarantees at December 31, 2019 total \$57,231 which is subject to the 50% commitment totaling \$28,616. This commitment relates to Stagno's Bakery. On December 31, 2010 PEIDC, Stagno's and PIDA entered into a forbearance agreement through November 1, 2021. However, in July 2018 the parties entered into a revised forbearance agreement. This agreement beginning March 1, 2018 and ending on the first to occur of the repayment in full of the outstanding balance, or December 1, 2020 (the forbearance period) and provided that no default has occurred, PIDA agrees that it will forbear in the exercise of its rights and remedies under the respective Note, including but not limited to confessing judgment against PEIDC and Stagno's. PEIDC and Stagno's agree to repayment of the outstanding balance in 17 equal monthly payments of \$2,151.45, the first payment due on or before March 1, 2018 with each succeeding payment due on or before the first day of each succeeding month. Then commencing on August 1, 2019, 16 monthly payments of \$5,000 through November 1, 2020. The entire remaining balance is due December 1, 2020. Interest shall accrue on the outstanding balance at the rate of 3.75% per annum.

As indicated in footnote number 6, PEIDC entered into an agreement to repay PIDA relating to the R.H. Kuhn Company's default.

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Notes to the Financial Statements, continued

December 31, 2019

(8) **Availability and Liquidity**

The following represents PEIDC's financial assets at December 31, 2019:

Financial assets at year-end	
Cash and cash equivalents	\$773,733
Certificates of deposits- 12 month	1,000,000
Accounts receivable	<u>7,603</u>
Total financial assets	1,781,336
Less amounts not available to be used within one year:	
Net assets with donor restrictions	0
Quasi endowment established by the board	<u>400,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$1,381,336</u>

PEIDC's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$100,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposits.

(9) **Subsequent Events**

Subsequent events were evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued. No subsequent events were noted.

SUPPLEMENTARY INFORMATION



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Leslie A. McGee, C.P.A.
Lisa Maruca DiPardo, C.P.A.

Independent Auditor's Report On Supplementary Information

To the Board of Directors
Pittsburgh Economic and Industrial Development Corporation
Pittsburgh, Pennsylvania

We have audited the financial statements of Pittsburgh Economic and Industrial Development Corporation as of and for the year ended December 31, 2019, and have issued our report thereon dated March 19, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying statements and schedules on pages 15 through 18 are presented for purposes of additional analysis and are not a required part of the basic 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.

McGee Maruca & Associates, P.C.

March 19, 2020

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Schedule of Financial Position by Project

December 31, 2019

	PEIDC Management and Operations		PEIDC Development Projects							Totals
	Management and General	Leased Property Fund	Subtotals	Highland and Liberty	Spahr Building	Lexington Technology Park	Beaver Avenue	1601 Broadway Avenue	Industrial Hwy (a) Mazette Road	
Current assets:										
Cash and cash equivalents	\$ 1,630,333	\$ 140,900	\$ 1,771,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500	\$ 1,773,733
Receivables (no allowance for doubtful accounts deemed necessary)	7,603	-	7,603	-	-	-	-	-	-	7,603
Prepaid expenses	3,453	-	3,453	-	-	-	-	-	-	3,453
Due from other funds	761,464	-	761,464	-	-	-	-	-	-	761,464
Total current assets	2,402,853	140,900	2,543,753	-	-	-	-	-	2,500	2,546,253
Other assets:										
Property on lease	-	875,542	875,542	-	-	-	-	-	-	875,542
Less accumulated depreciation	-	(221,839)	(221,839)	-	-	-	-	-	-	(221,839)
Net property on lease	-	653,703	653,703	-	-	-	-	-	-	653,703
Predevelopment costs	-	-	-	-	-	120,299	117,340	-	114,988	352,627
Total other assets	-	653,703	653,703	-	-	120,299	117,340	-	114,988	1,006,330
Total assets	\$ 2,402,853	\$ 794,603	\$ 3,197,456	\$ -	\$ -	\$ 120,299	\$ 117,340	\$ -	\$ 117,488	\$ 3,552,583
Liabilities and Net Assets										
Current liabilities:										
Accounts payable	\$ 6,339	\$ -	\$ 6,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,339
Due to other funds	-	468,653	468,653	-	-	120,299	57,524	-	114,988	761,464
Current portion of long-term liabilities	6,739	-	6,739	-	-	-	-	-	-	6,739
Total current liabilities	13,078	468,653	481,731	-	-	120,299	57,524	-	114,988	774,542
Long-term liabilities:										
PIIDA Loan	242,147	-	242,147	-	-	-	-	-	-	242,147
Total long-term liabilities	242,147	-	242,147	-	-	-	-	-	-	242,147
Total liabilities	255,225	468,653	723,878	-	-	120,299	57,524	-	114,988	1,016,689
Net assets:										
Without donor restrictions	2,147,628	325,950	2,473,578	-	-	-	59,816	-	2,500	2,535,894
With donor restrictions	-	-	-	-	-	-	-	-	-	-
Total net assets	2,147,628	325,950	2,473,578	-	-	-	59,816	-	2,500	2,535,894
Total liabilities and net assets	\$ 2,402,853	\$ 794,603	\$ 3,197,456	\$ -	\$ -	\$ 120,299	\$ 117,340	\$ -	\$ 117,488	\$ 3,552,583

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Schedule of Activities by Project
For the Year Ended December 31, 2019

	PEIDC Management and Operations		PEIDC Development Projects							Totals
	Management and General	Leased Property Fund	Subtotals	Highland and Liberty	Spahr Building	Lexington Technology Park	Beaver Avenue	1601 Broadway Avenue	Industrial Hwy @ Mazette Road	
Revenues and support:										
Lease income	\$ -	\$ 54,013	\$ 54,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,013
Interest income	17,107	-	17,107	-	-	-	-	-	-	17,107
Gain on sale	(116,631)	-	(116,631)	(48,450)	(131,755)	-	-	(165,860)	-	(462,696)
Other income	-	-	-	-	-	-	-	-	-	-
Total revenues and support	(99,524)	54,013	(45,511)	(48,450)	(131,755)	-	-	(165,860)	-	(391,576)
Expenses:										
Depreciation	-	28,931	28,931	-	-	-	-	-	-	28,931
Insurance	4,475	-	4,475	-	-	-	-	-	-	4,475
Property management expenses, net of reimbursements	-	9,135	9,135	-	-	-	-	-	-	9,135
Administration fee	500,000	-	500,000	-	-	-	-	-	-	500,000
Interest expense	8,968	-	8,968	-	-	-	-	-	-	8,968
Other	35,631	-	35,631	-	25,595	-	-	-	-	61,226
Total expenses	549,074	38,066	587,140	-	25,595	-	-	-	-	612,735
Change in net assets	(648,598)	15,947	(632,651)	(48,450)	(157,350)	-	-	(165,860)	-	(1,004,311)
Net assets at beginning of year	2,796,226	310,003	3,106,229	48,450	157,350	-	59,816	165,860	2,500	3,540,205
Net assets at end of year	\$ 2,147,628	\$ 325,950	\$ 2,473,578	\$ -	\$ -	\$ -	\$ 59,816	\$ -	\$ 2,500	\$ 2,535,894

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Schedule of Leased Property Fund Financial Position

December 31, 2019

	<u>Assets</u>	
	1604-1616 Broadway	Total Leased Property
Current assets:		
Cash and cash equivalents	\$ 140,900	\$ 140,900
Receivables (no allowance for doubtful accounts deemed necessary)	-	-
Prepaid expenses	-	-
Due from other funds	-	-
Total current assets	140,900	140,900
Other assets:		
Predevelopment costs	-	-
Property on lease, net of accumulated depreciation	653,703	653,703
Total assets	\$ 794,603	\$ 794,603

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ -	\$ -
Due to other fund	468,653	468,653
Current portion of long-term liabilities	-	-
Total current liabilities	468,653	468,653
Long-term liabilities:		
Security deposits	-	-
Mortgage loans	-	-
Total long-term liabilities	-	-
Total liabilities	468,653	468,653
Net assets:		
Without donor restrictions	325,950	325,950
With donor restrictions	-	-
Total net assets	325,950	325,950
Total liabilities and net assets	\$ 794,603	\$ 794,603

PITTSBURGH ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
(A NONPROFIT CORPORATION)

Schedule of Leased Property Fund Activities

For the Year Ended December 31, 2019

	1604-1616 Broadway	Total Leased Property
Revenues and support:		
Lease income	\$ 54,013	\$ 54,013
Interest income	-	-
Other income	-	-
Gain (Loss) on sale of assets	-	-
Net assets released from restrictions:		
Restrictions satisfied by payments	-	-
Total revenues and support	<u>54,013</u>	<u>54,013</u>
Operating expenses:		
Depreciation	28,931	28,931
Property management expenses, net of reimbursements	9,135	9,135
Interest expense	-	-
Total operating expenses	<u>38,066</u>	<u>38,066</u>
Interfund transfer	-	-
Change in net assets	<u>\$ 15,947</u>	<u>\$ 15,947</u>