

# Southside Center of Hope



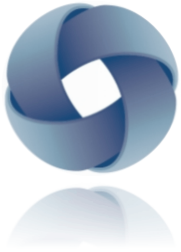
## Financial Statements

For the Year Ended  
May 31, 2020



**Southside Center of Hope**  
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Illinois NFP Audit & Tax, LLP  
*Certified Public Accountants*

## **Independent Auditor's Report**

To the Board of Directors  
Southside Center of Hope  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Southside Center of Hope, which comprise the statement of financial position as of May 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.

### ***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 Southside Center of Hope as of May 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.

*IL NFP Audit & Tax, LLP*

Chicago, Illinois

November 23, 2020

**Southside Center of Hope**  
**Statement of Financial Position**  
**May 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 126,698	\$ 0	\$ 126,698
Investments	407,999	0	407,999
Gift Certificates	6,422	0	6,422
Prepaid Expenses	2,180	0	2,180
<b>Total Current Assets</b>	543,299	0	543,299
<b>Total Fixed Assets, Net</b>	249,266	0	249,266
<b>Total Assets</b>	\$ 792,565	\$ 0	\$ 792,565
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 25,979	\$ 0	\$ 25,979
Accrued Payroll	7,061	0	7,061
Accrued Liabilities	1,204	0	1,204
<b>Total Current Liabilities</b>	34,244	0	34,244
<b>Non-Current Liabilities</b>			
Note Payable	65,400	0	65,400
<b>Total Non-Current Liabilities</b>	65,400	0	65,400
<b>Total Liabilities</b>	99,644	0	99,644
<b>Total Net Assets</b>	692,921	0	692,921
<b>Total Liabilities and Net Assets</b>	\$ 792,565	\$ 0	\$ 792,565

**Southside Center of Hope**  
**Statement of Activities**  
**For the Year Ended May 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Support and Gains</b>			
Grants and Contributions			
Contributions	\$ 229,729	\$ 0	\$ 229,729
Foundations	184,835	0	184,835
Governments	22,918	0	22,918
Corporations	17,657	0	17,657
<b>Total Grants and Contributions</b>	<b>455,139</b>	<b>0</b>	<b>455,139</b>
Net Investment Return	33,371	0	33,371
In-Kind Donations	26,605	0	26,605
Miscellaneous	540	0	540
Net Assets Released from Restrictions:			
Satisfaction of Other Purpose Restrictions	0	0	0
Expiration of Time Restrictions	12,500	(12,500)	0
<b>Total Revenue, Support and Gains</b>	<b>528,155</b>	<b>(12,500)</b>	<b>515,655</b>
<b>Functional Expenses</b>			
Program Services	523,204	0	523,204
Management and General	110,713	0	110,713
Fundraising	41,290	0	41,290
<b>Total Functional Expenses</b>	<b>675,207</b>	<b>0</b>	<b>675,207</b>
<b>Change in Net Assets</b>	<b>(147,052)</b>	<b>(12,500)</b>	<b>(159,552)</b>
<b>Net Assets,</b>			
<b>Beginning of Year</b>	<b>839,973</b>	<b>12,500</b>	<b>852,473</b>
<b>End of Year</b>	<b>\$ 692,921</b>	<b>\$ 0</b>	<b>\$ 692,921</b>

**Southside Center of Hope**  
**Statement of Functional Expenses**  
**For the Year Ended May 31, 2020**

	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
<b>Functional Expenses</b>				
Personnel				
Salaries	\$ 280,800	\$ 16,061	\$ 20,416	\$ 317,277
Payroll Taxes	32,833	1,632	1,991	36,456
Employee Benefits	16,121	1,588	1,595	19,304
Total Personnel	<u>329,754</u>	<u>19,281</u>	<u>24,002</u>	<u>373,037</u>
Advertising and Marketing	500	2,776	338	3,614
Art and Music Supplies	2,421	0	0	2,421
Bank Charges and Credit Card Fees	65	4,896	382	5,343
Depreciation and Amortization	28,951	864	1,280	31,095
Dues and Subscriptions	582	2,725	390	3,697
Food	35,486	0	0	35,486
Information Technology	22,034	2,052	1,634	25,720
Insurance	8,297	1,410	418	10,125
Miscellaneous	3,073	1,746	0	4,819
Occupancy	37,944	1,795	877	40,616
Office Supplies	3,150	2,351	194	5,695
Postage and Shipping	601	300	57	958
Printing	109	4	2,813	2,926
Professional Fees	22,753	66,193	7,729	96,675
Program Related	4,764	0	0	4,764
Repairs and Maintenance	14,705	3,792	713	19,210
Telecommunications	6,613	213	316	7,142
Travel	1,402	315	147	1,864
<b>Total Functional Expenses</b>	<u><u>\$ 523,204</u></u>	<u><u>\$ 110,713</u></u>	<u><u>\$ 41,290</u></u>	<u><u>\$ 675,207</u></u>

**Southside Center of Hope**  
**Statement of Functional Expenses (Continued)**  
**For the Year Ended May 31, 2020**

	<b>Program Services</b>					<b>Total Program Services</b>
	<b>Shelter</b>	<b>Substance Abuse</b>	<b>Food Program</b>	<b>Case Management</b>	<b>Behavioral Health Counseling</b>	
<b>Program Expenses</b>						
Personnel						
Salaries	\$ 94,098	\$ 84,407	\$ 64,526	\$ 26,365	\$ 11,404	\$ 280,800
Payroll Taxes	10,946	10,114	7,908	2,582	1,283	32,833
Employee Benefits	6,201	5,669	1,229	2,255	767	16,121
Total Personnel	111,245	100,190	73,663	31,202	13,454	329,754
Advertising and Marketing	204	127	55	88	26	500
Art and Music Supplies	0	0	0	0	2,421	2,421
Bank Charges and Credit Card Fees	4	8	53	0	0	65
Depreciation and Amortization	12,367	8,852	2,530	4,030	1,172	28,951
Dues and Subscriptions	279	141	53	84	25	582
Food	180	0	34,968	0	338	35,486
Information Technology	9,139	6,509	2,025	3,225	1,136	22,034
Insurance	3,053	2,721	826	1,315	382	8,297
Miscellaneous	2,981	0	53	0	39	3,073
Occupancy	25,978	6,617	1,788	2,759	802	37,944
Office Supplies	1,496	633	334	532	155	3,150
Postage and Shipping	245	153	66	106	31	601
Printing	44	28	12	19	6	109
Professional Fees	12,176	7,143	1,129	1,786	519	22,753
Program Related	0	4,764	0	0	0	4,764
Repairs and Maintenance	6,991	3,406	1,410	2,245	653	14,705
Telecommunications	2,786	1,918	625	995	289	6,613
Travel	558	383	151	240	70	1,402
<b>Total Program Expenses</b>	<b>\$ 189,726</b>	<b>\$ 143,593</b>	<b>\$ 119,741</b>	<b>\$ 48,626</b>	<b>\$ 21,518</b>	<b>\$ 523,204</b>



**Southside Center of Hope**  
**Statement of Cash Flows**  
**For the Year Ended May 31, 2020**

**Cash Flows from Operating Activities**

Received from Supporters and Other Sources	\$ 490,915
Interest and Dividends Received	9,695
Paid to Vendors	(635,605)
Interest Paid	0
Income Taxes Paid	0

<b>Net Cash Used in Operating Activities</b>	(134,995)
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**Cash Flows from Investing Activities**

Payments for the Purchase of Fixed Assets	(10,925)
Proceeds from the Sale of Investments	202,899
Payments for the Purchase of Investments	(79,317)

<b>Net Cash Provided by Investing Activities</b>	112,657
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**Cash Flows from Financing Activities**

Proceeds from Issuance of Note Payable	65,400
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<b>Net Cash Provided by Financing Activities</b>	65,400
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<b>Net Increase in Cash and Cash Equivalents</b>	43,062
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**Cash and Cash Equivalents,**

<b>Beginning of Year</b>	83,636
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<b>End of Year</b>	\$ 126,698
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**Non-Cash Operating Activities**

In-Kind Donated Goods Revenues and Expenses	\$ 6,605
In-Kind Donated Services Revenues and Expenses	20,000

<b>Total Non-Cash Operating Activities</b>	\$ 26,605
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**Southside Center of Hope**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended May 31, 2020**

**Reconciliation of Change in Net Assets to Net Cash  
Used in Operating Activities**

Change in Net Assets	\$	<u>(159,552)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation and Amortization		31,095
Realized Gain on Investments		(6,931)
Unrealized Gain on Investments		(22,231)
Changes in Certain Assets and Liabilities:		
Accounts Receivable		3,727
Prepaid Expenses		2,825
Gift Certificates		4,904
Accounts Payable		14,232
Accrued Payroll		(4,268)
Accrued Liabilities		<u>1,204</u>
Total Adjustments		<u>24,557</u>
<b>Net Cash Used in Operating Activities</b>	<b>\$</b>	<b><u><u>(134,995)</u></u></b>

**Southside Center of Hope**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2020**

**Note 1 - Principal Activity and Significant Accounting Policies**

***Organization and Nature of Activities***

Southside Center of Hope (the “Organization”) is a not-for-profit corporation incorporated in 1983. The Organization is dedicated to provide housing for women and children in the Chicago Woodlawn community.

To fulfill its mission, the Organization provides the following program services:

*Shelter* - This program offers safe and supportive housing in a 28-bed recovery home for up to 12 months to single women and children who are experiencing homelessness and having recently completed residential treatment and detox.

*Substance Abuse* - The program provides a wide range of addiction treatment and relapse prevention to women in recovery through individual and group counseling. The model caters to the specific needs of female substance abusers and uses the 12-step program, trauma informed care and evidence-based principles.

*Food Program* - The program provides three nutritious meals (breakfast, lunch, dinner) to residents daily.

*Case Management* - The program expands the network of services available to residents by connecting them with external service providers. Residents are connected to community partners for services based on their special needs ranging from medical, behavioral health, legal, education, employment, financial and permanent housing.

*Behavioral Health Counseling* - Individual and group counseling is used to address co-curing disorders and help women change behaviors that may have led to their addiction and prevent relapse.

***Basis of Accounting***

The Organization’s accounts are maintained on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 1 - Principal Activity and Significant Accounting Policies (Continued)**

***Basis of Accounting (Continued)***

Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has not designated any amounts from net assets without donor restrictions as of May 31, 2020.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

***Cash and Cash Equivalents***

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

***Investments and Net Investment Return***

Investments are originally recorded at cost if purchased or, if donated, at fair value on the date of donation. Thereafter, investments in marketable equity securities with readily determinable fair values are stated at fair value and real estate investments and equity securities without readily determinable fair values are stated at cost.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 1 - Principal Activity and Significant Accounting Policies (Continued)**

***Investments and Net Investment Return (Continued)***

Net investment return restricted by donors is reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Net investment return consists of interest and dividend income, and when applicable, unrealized gains and losses, realized gains and losses, and investment fees.

***Fixed Assets***

The Organization records fixed asset additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended May 31, 2020.

***Interfund Balance***

In an effort to increase transparency and to simplify its financial statements, the Organization presents its statement of financial position on a fund basis which comprises of the following funds: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

As of May 31, 2020, no interfund payables or receivables exists between the Net Assets without Donor Restrictions Fund and the Net Assets with Donor Restrictions Fund.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 1 - Principal Activity and Significant Accounting Policies (Continued)**

***Revenue Recognition - Grants and Contributions***

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization when the restrictions are released. Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

***Income Taxes***

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, the financial statements do not include a provision for income taxes. The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no significant income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 1 - Principal Activity and Significant Accounting Policies (Continued)**

***Functional Expense Allocation***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates functional expenses mainly on the basis of estimates of time and effort.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted 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. Actual results could differ from those estimates.

***Advertising costs***

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. The Organization had no direct-response advertising during the year ended May 31, 2020. Advertising costs amount to \$3,614.

***Financial Instruments and Credit Risk***

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit, when applicable, with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. As of May 31, 2020, the Organization held no deposits above federally insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with receivables and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable donors highly supportive of the Organization's mission. When applicable, although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 2 - Investments and Net Investment Return**

As of May 31, 2020, investments comprise of the following:

Equities	\$	210,316
Fixed Income		197,683
		<hr/>
	\$	407,999
		<hr/> <hr/>

For the year ended May 31, 2020, net investment return comprises of the following:

Unrealized Gain on Investments	\$	22,231
Interest and Dividends		9,695
Realized Gain on Investments		6,931
Netted Investment Management Fees		(5,486)
		<hr/>
	\$	33,371
		<hr/> <hr/>

**Note 3 - Fair Value Measurements and Disclosures**

When appropriate, the Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available



**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 3 - Fair Value Measurements and Disclosures**

A three-tier hierarchy categorizes the inputs as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

*Level 2:* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3:* Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

When appropriate, the Organization utilizes net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain investments e.g. hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 3 - Fair Value Measurements and Disclosures (Continued)**

The Organization has no investments valued at net asset value as of May 31, 2020. The following assets are measured at fair value as of May 31, 2020:

	Balance at May 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 210,316	\$ 210,316	\$ 0	\$ 0
Fixed Income	197,683	0	197,683	0
	<u>\$ 407,999</u>	<u>\$ 210,316</u>	<u>\$ 197,683</u>	<u>\$ 0</u>

**Note 4 - Fixed Assets**

At May 31, 2020, fixed assets comprise of the following:

Land	\$ 70,000
Building and Improvements	1,110,472
Machinery and Equipment	189,232
Furniture and Fixtures	107,653
Vehicle	12,096
Website	7,500
Total Cost	<u>1,496,953</u>
Less: Accumulated Depreciation and Amortization	<u>(1,247,687)</u>
Fixed Assets, Net	<u>\$ 249,266</u>

Depreciation and Amortization expense amounts to \$31,095 for the year ended May 31, 2020.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 5 - Note Payable**

On May 4, 2020, the Organization was approved for a loan from Fifth Third Bank in the aggregate amount of \$65,400, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), which was enacted on March 27, 2020.

The loan, which was in the form of a note payable dated May 4, 2020, matures on May 4, 2022, and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 4, 2020. The note payable is unsecured.

The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for the forgiveness of the loan, the Organization cannot assure that it will not take actions that could cause the Organization to be ineligible for the forgiveness of the loan, in whole or in part.

The PPP note payable balance amounts to \$65,400 as of May 31, 2020. Unless forgiven, future principal maturities that exist as of May 31, 2020, are as follows:

	Principal
For the Year Ended May 31, 2021	\$ 0
2022	65,400
	\$ 65,400

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 6 - In-Kind Donations**

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. For the year ended May 31, 2020, donated services that meet the recognition criteria prescribed by generally accepted accounting principles amount to \$20,000.

Donated goods are recorded at fair value on the date of donation. Donated goods of \$6,605 were received by the Organization during the year ended May 31, 2020.

Donated space is recorded at its estimated fair value on the date of donation. No donated space was received by the Organization during the year ended May 31, 2020.

Donated services and donated goods are recorded within in-kind donations revenue on the statement of activities, and within functional expenses on the statement of functional expenses as follows:

	Program Services	Management & General	Fundraising
Food	\$ 4,264	\$ 0	\$ 0
Miscellaneous	2,341	0	0
Professional Fees	0	20,000	0
	<u>\$ 6,605</u>	<u>\$ 20,000</u>	<u>\$ 0</u>

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 7 - Net Asset Restrictions**

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

Subject to Expenditure for Specific Purpose:	
None	\$ 0
Total Subject to Expenditure for Specific Purpose	0
Subject to Passage of Time:	
None	0
Total Subject to Passage of Time	0
Total Net Assets with Restrictions	\$ 0

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions or by the occurrence of the passage of time or other events specified by donors during the year ended May 31, 2020:

Purpose Restrictions Accomplished:	
None	\$ 0
Total Purpose Restrictions Accomplished	0
Time Restrictions Expired:	
Support for the Year Ended May 31, 2020	12,500
Total Time Restrictions Expired	12,500
Total Restrictions Released	\$ 12,500

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 8 - Liquidity**

At May 31, 2020, the Organization has \$534,697 of financial assets, excluding non-spendable financial assets, available for general expenditures within one year of the balance sheet date. Of this amount, \$0 of financial assets are subject to donor timing or purpose restrictions, excluding general operation restrictions, expiring within one year. No other contractual restrictions exist that make current financial assets unavailable for general expenditure within one year of the balance sheet date. As of May 31, 2020, the Organization does not expect that its liquidity will deteriorate. Financial assets available within one year of the balance sheet for general expenditures comprise of the following:

Financial Assets Available for General Expenditure:	
Cash	\$ 126,698
Investments	407,999
Total Financial Assets Available for General Expenditure	534,697
Less: Assets Subject to Donor Timing or Purpose Restrictions	
Excluding General Operation Restrictions	0
Total Financial Assets Available to Meet Cash Needs for General Use Within One Year	\$ 534,697

**Note 9 - Recently Implemented Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the previous revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance was adopted by the Organization during the year ended May 31, 2020.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2020**

**Note 9 - Recently Implemented Accounting Pronouncements (Continued)**

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. With relation to not-for-profit organizations, the ASU eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost, and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the statement of financial position or within the notes to the financial statements. The new guidance was adopted by the Organization during the year ended May 31, 2020.

**Note 10 - Upcoming Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statement of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending May 31, 2022, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is not expected to have a significant effect on the Organization's statement of financial position.

**Note 11 - Subsequent Events**

The date to which events occurring after May 31, 2020, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is November 23, 2020, which is the date on which the financial statements were available to be issued.