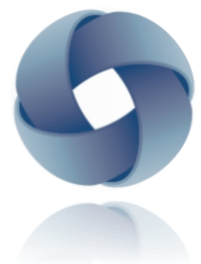


# Southside Center of Hope



## Financial Statements

For the Year Ended  
May 31, 2022



Illinois NFP Audit and Tax, LLP

## **Southside Center of Hope**

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## **Independent Auditor's Report**

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

### **Opinion 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, 2022, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

### **Basis for Opinion on the Financial Statements**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southside Center of Hope and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southside Center of Hope's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southside Center of Hope's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southside Center of Hope's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*IL NFP Audit & Tax, LLP*

Chicago, Illinois

September 6, 2022

**Southside Center of Hope**  
**Statement of Financial Position**  
**May 31, 2022**

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>      |
|---|---------------------------------------|------------------------------------|-------------------|
|   | <b>Assets</b>                         |                                    |                   |
| <b>Current Assets</b>                   |                                       |                                    |                   |
| Cash                                    | \$ 39,965                             | \$ 0                               | \$ 39,965         |
| Investments                             | 346,232                               | 0                                  | 346,232           |
| Grants Receivable                       | 8,000                                 | 0                                  | 8,000             |
| Gift Certificates                       | 2,124                                 | 0                                  | 2,124             |
| Prepaid Expenses                        | 3,642                                 | 0                                  | 3,642             |
| <b>Total Current Assets</b>             | <b>399,963</b>                        | <b>0</b>                           | <b>399,963</b>    |
| <b>Total Fixed Assets, Net</b>          | <b>21,553</b>                         | <b>0</b>                           | <b>21,553</b>     |
| <b>Other Assets</b>                     |                                       |                                    |                   |
| Security Deposit                        | 7,000                                 | 0                                  | 7,000             |
| <b>Total Other Assets</b>               | <b>7,000</b>                          | <b>0</b>                           | <b>7,000</b>      |
| <b>Total Assets</b>                     | <b>\$ 428,516</b>                     | <b>\$ 0</b>                        | <b>\$ 428,516</b> |
|   | <b>Liabilities and Net Assets</b>     |                                    |                   |
| <b>Current Liabilities</b>              |                                       |                                    |                   |
| Accounts Payable                        | \$ 25,501                             | \$ 0                               | \$ 25,501         |
| Accrued Payroll                         | 7,059                                 | 0                                  | 7,059             |
| <b>Total Current Liabilities</b>        | <b>32,560</b>                         | <b>0</b>                           | <b>32,560</b>     |
| <b>Total Liabilities</b>                | <b>32,560</b>                         | <b>0</b>                           | <b>32,560</b>     |
| <b>Total Net Assets</b>                 | <b>395,956</b>                        | <b>0</b>                           | <b>395,956</b>    |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 428,516</b>                     | <b>\$ 0</b>                        | <b>\$ 428,516</b> |

**Southside Center of Hope**  
**Statement of Activities**  
**For the Year Ended May 31, 2022**

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b> |
|--|---------------------------------------|------------------------------------|--------------|
| <b>Revenue, Support and Gains</b>          |                                       |                                    |              |
| Grants and Contributions                   |                                       |                                    |              |
| Contributions                              | \$ 153,948                            | \$ 0                               | \$ 153,948   |
| Foundations                                | 136,125                               | 0                                  | 136,125      |
| Government                                 | 31,248                                | 0                                  | 31,248       |
| Corporations                               | 23,707                                | 0                                  | 23,707       |
| Total Grants and Contributions             | 345,028                               | 0                                  | 345,028      |
| Miscellaneous                              | 10,988                                | 0                                  | 10,988       |
| In-Kind Donations                          | 2,022                                 | 0                                  | 2,022        |
| Net Investment Return                      | (36,999)                              | 0                                  | (36,999)     |
| Net Assets Released from Restrictions:     |                                       |                                    |              |
| Satisfaction of Other Purpose Restrictions | 0                                     | 0                                  | 0            |
| Expiration of Time Restrictions            | 0                                     | 0                                  | 0            |
| <b>Total Revenue, Support and Gains</b>    | 321,039                               | 0                                  | 321,039      |
| <b>Functional Expenses</b>                 |                                       |                                    |              |
| Program Services                           | 353,817                               | 0                                  | 353,817      |
| Management and General                     | 62,991                                | 0                                  | 62,991       |
| Fundraising                                | 50,012                                | 0                                  | 50,012       |
| <b>Total Functional Expenses</b>           | 466,820                               | 0                                  | 466,820      |
| <b>Change in Net Assets</b>                | (145,781)                             | 0                                  | (145,781)    |
| <b>Net Assets,</b>                         |                                       |                                    |              |
| <b>Beginning of Year</b>                   | 541,737                               | 0                                  | 541,737      |
| <b>End of Year</b>                         | \$ 395,956                            | \$ 0                               | \$ 395,956   |

**Southside Center of Hope**  
**Statement of Functional Expenses**  
**For the Year Ended May 31, 2022**

|                                  | <b>Total Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Fundraising</b>      | <b>Total</b>             |
|----------------------------------|-----------------------------------|-----------------------------------|-------------------------|--------------------------|
| <b>Functional Expenses</b>       |                                   |                                   |                         |                          |
| Personnel                        |                                   |                                   |                         |                          |
| Salaries                         | \$ 163,621                        | \$ 30,525                         | \$ 21,783               | \$ 215,929               |
| Payroll Taxes                    | 16,146                            | 864                               | 2,121                   | 19,131                   |
| Employee Benefits                | 13,574                            | 2,110                             | 2,062                   | 17,314                   |
| Total Personnel                  | <u>193,341</u>                    | <u>33,499</u>                     | <u>25,966</u>           | <u>252,806</u>           |
| Bank Charges and                 |                                   |                                   |                         |                          |
| Credit Card Fees                 | 1,282                             | 154                               | 193                     | 1,629                    |
| Depreciation and Amortization    | 0                                 | 9,933                             | 0                       | 9,933                    |
| Development and Training         | 4,539                             | 619                               | 814                     | 5,972                    |
| Dues and Subscriptions           | 1,779                             | 259                               | 313                     | 2,351                    |
| Facility Supplies                | 5,996                             | 550                               | 1,198                   | 7,744                    |
| Food                             | 6,501                             | 0                                 | 0                       | 6,501                    |
| Information Technology           | 20,520                            | 2,049                             | 2,714                   | 25,283                   |
| Insurance                        | 6,290                             | 1,304                             | 1,272                   | 8,866                    |
| Interest Expense                 | 580                               | 39                                | 90                      | 709                      |
| Occupancy                        | 35,124                            | 4,202                             | 5,408                   | 44,734                   |
| Office Supplies                  | 1,419                             | 135                               | 281                     | 1,835                    |
| Postage and Shipping             | 489                               | 95                                | 128                     | 712                      |
| Printing                         | 3,149                             | 174                               | 229                     | 3,552                    |
| Professional Services            | 29,505                            | 4,266                             | 4,172                   | 37,943                   |
| Repairs and Maintenance          | 21,258                            | 4,563                             | 5,665                   | 31,486                   |
| Supplies                         | 11,333                            | 0                                 | 0                       | 11,333                   |
| Telecommunications               | 4,271                             | 444                               | 569                     | 5,284                    |
| Travel                           | 559                               | 160                               | 121                     | 840                      |
| Utilities                        | 5,882                             | 546                               | 879                     | 7,307                    |
| <b>Total Functional Expenses</b> | <u><u>\$ 353,817</u></u>          | <u><u>\$ 62,991</u></u>           | <u><u>\$ 50,012</u></u> | <u><u>\$ 466,820</u></u> |

**Southside Center of Hope**  
**Statement of Functional Expenses (Continued)**  
**For the Year Ended May 31, 2022**

|                               | Program Services  |                    |                  |                    |                                    | Total<br>Program<br>Services |
|-------------------------------|-------------------|--------------------|------------------|--------------------|------------------------------------|------------------------------|
|                               | Shelter           | Case<br>Management | Food<br>Program  | Substance<br>Abuse | Behavioral<br>Health<br>Counseling |                              |
| <b>Program Expenses</b>       |                   |                    |                  |                    |                                    |                              |
| Personnel                     |                   |                    |                  |                    |                                    |                              |
| Salaries                      | \$ 121,010        | \$ 16,526          | \$ 12,176        | \$ 11,686          | \$ 2,223                           | \$ 163,621                   |
| Payroll Taxes                 | 12,160            | 1,536              | 1,268            | 1,063              | 119                                | 16,146                       |
| Employee Benefits             | 9,925             | 1,610              | 899              | 915                | 225                                | 13,574                       |
| Total Personnel               | 143,095           | 19,672             | 14,343           | 13,664             | 2,567                              | 193,341                      |
| Bank Charges and              |                   |                    |                  |                    |                                    |                              |
| Credit Card Fees              | 954               | 147                | 83               | 82                 | 16                                 | 1,282                        |
| Development and               |                   |                    |                  |                    |                                    |                              |
| Training                      | 2,826             | 517                | 1,030            | 124                | 42                                 | 4,539                        |
| Dues and Subscriptions        | 1,403             | 217                | 93               | 54                 | 12                                 | 1,779                        |
| Facility Supplies             | 4,625             | 678                | 137              | 528                | 28                                 | 5,996                        |
| Food                          | 182               | 0                  | 6,319            | 0                  | 0                                  | 6,501                        |
| Information Technology        | 14,586            | 2,258              | 1,432            | 1,983              | 261                                | 20,520                       |
| Insurance                     | 4,411             | 1,130              | 240              | 296                | 213                                | 6,290                        |
| Interest Expense              | 429               | 63                 | 41               | 44                 | 3                                  | 580                          |
| Occupancy                     | 26,097            | 4,063              | 2,200            | 2,301              | 463                                | 35,124                       |
| Office Supplies               | 1,029             | 136                | 126              | 123                | 5                                  | 1,419                        |
| Postage and Shipping          | 392               | 57                 | 22               | 13                 | 5                                  | 489                          |
| Printing                      | 2,427             | 159                | 288              | 275                | 0                                  | 3,149                        |
| Professional Services         | 21,304            | 3,169              | 1,620            | 2,643              | 769                                | 29,505                       |
| Repairs and                   |                   |                    |                  |                    |                                    |                              |
| Maintenance                   | 10,911            | 4,824              | 2,429            | 2,476              | 618                                | 21,258                       |
| Supplies                      | 8,084             | 85                 | 136              | 2,372              | 656                                | 11,333                       |
| Telecommunications            | 3,144             | 410                | 311              | 342                | 64                                 | 4,271                        |
| Travel                        | 335               | 109                | 5                | 96                 | 14                                 | 559                          |
| Utilities                     | 4,323             | 644                | 404              | 443                | 68                                 | 5,882                        |
| <b>Total Program Expenses</b> | <b>\$ 250,557</b> | <b>\$ 38,338</b>   | <b>\$ 31,259</b> | <b>\$ 27,859</b>   | <b>\$ 5,804</b>                    | <b>\$ 353,817</b>            |



**Southside Center of Hope  
Statement of Cash Flows  
For the Year Ended May 31, 2022**

**Cash Flows from Operating Activities**

|  |            |
|--|------------|
| Received from Supporters and Other Sources | \$ 348,719 |
| Interest and Dividends Received            | 7,240      |
| Paid to Vendors and Employees              | (453,681)  |
| Interest Paid                              | (709)      |
| Income Taxes Paid                          | 0          |

|  |          |
|--|----------|
| <b>Net Cash Used in Operating Activities</b> | (98,431) |
|--|----------|

**Cash Flows from Investing Activities**

|   |           |
|---|-----------|
| Payments for the Purchase of Fixed Assets | (20,442)  |
| Payments from the Sale of Investments     | 126,102   |
| Payments for the Purchase of Investments  | (130,119) |

|  |          |
|--|----------|
| <b>Net Cash Used in Investing Activities</b> | (24,459) |
|--|----------|

|                             |           |
|-----------------------------|-----------|
| <b>Net Decrease in Cash</b> | (122,890) |
|-----------------------------|-----------|

**Cash and Cash Equivalents,**

|                          |           |
|--------------------------|-----------|
| <b>Beginning of Year</b> | 162,855   |
| <b>End of Year</b>       | \$ 39,965 |

**Non-Cash Operating Activities**

|  |          |
|--|----------|
| In-Kind Donated Services Revenues and Expenses | \$ 2,022 |
|--|----------|

|  |          |
|--|----------|
| <b>Total Non-Cash Operating Activities</b> | \$ 2,022 |
|--|----------|

**Southside Center of Hope**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended May 31, 2022**

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

|  |                    |
|--|--------------------|
| Change in Net Assets   | \$ (145,781)       |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash Used in Operating Activities: |                    |
| Unrealized Loss on Investments   | 46,239             |
| Realized Gain on Investments   | (6,799)            |
| Depreciation and Amortization Expense  | 9,933              |
| Changes in Certain Assets and Liabilities:   |                    |
| Accounts Receivable  | 60                 |
| Grants Receivable  | (8,000)            |
| Gift Certificates  | 643                |
| Prepaid Expenses   | (651)              |
| Security Deposit   | (7,000)            |
| Accounts Payable   | 9,477              |
| Accrued Payroll  | 3,448              |
| Total Adjustments  | 47,350             |
| <b>Net Cash Used in Operating Activities</b>   | <b>\$ (98,431)</b> |

**Southside Center of Hope**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2022**

**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 providing 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 have recently completed residential treatment and detox.

*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.

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

*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.

*Behavioral Health Counseling* - Individual and group counseling is used to address co-occurring 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, 2022**

**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, 2022.

*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, 2022**

**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.

***Receivables and Allowance for Doubtful Accounts***

The Organization records receivables that are expected to be collected within one year at net realizable value. Generally accepted accounting principles prescribe receivables expected to be collected in more than one year to be initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset; in subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectible receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

***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.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2022**

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

***Fixed Assets (Continued)***

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, 2022.

***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, 2022, no interfund payables or receivables exists between the Net Assets without Donor Restrictions Fund and the Net Assets with Donor Restrictions Fund.

***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 the 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.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2022**

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

***Revenue Recognition - Disaggregation of Revenue***

The following table disaggregates the Organization's revenue from contracts with customers based on the timing of satisfaction of performance obligations for the years ended May 31, 2022:

|                                       |                    |
|---------------------------------------|--------------------|
| Revenue Recognized over Time          | \$ 0               |
| Revenue Recognized at a Point in Time | <u>0</u>           |
|                                       | <u><u>\$ 0</u></u> |

***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.

***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.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2022**

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

***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, 2022.

***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, 2022, 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, 2022**

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

As of May 31, 2022, investments comprise of the following:

|              |             |
|--------------|-------------|
| Fixed Income | \$ 175,390  |
| Equities     | 170,842     |
|              | <hr/>       |
|              | \$ 346,232  |
|              | <hr/> <hr/> |

For the year ended May 31, 2022, net investment return comprises of the following:

|                                |             |
|--------------------------------|-------------|
| Interest and Dividends         | \$ 7,240    |
| Realized Gain on Investments   | 6,799       |
| Unrealized Loss on Investments | (46,239)    |
| Investment Management Fees     | (4,799)     |
|                                | <hr/>       |
|                                | \$ (36,999) |
|                                | <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, 2022**

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

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 the 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 the 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, 2022**

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

The Organization has no investments valued at net asset value as of May 31, 2022. The following assets are measured at fair value as of May 31, 2022:

|              | Balance at<br>May 31, 2022 | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|--------------|----------------------------|---|--|--|
| Fixed Income | \$ 175,390                 | \$ 0  | \$ 175,390                                 | \$ 0   |
| Equities     | 170,842                    | 170,842   | 0  | 0  |
|              | <u>\$ 346,232</u>          | <u>\$ 170,842</u>   | <u>\$ 175,390</u>                          | <u>\$ 0</u>  |

**Note 4 - Receivables**

At May 31, 2022, receivables consist of and are estimated to be collected as follows:

|                                       |                 |
|---------------------------------------|-----------------|
| Collectible in Fiscal Year 2023       | \$ 8,000        |
| Less: Allowance for Doubtful Accounts | <u>0</u>        |
| Receivables, Net                      | <u>\$ 8,000</u> |

**Note 5 - Fixed Assets**

At May 31, 2022, fixed assets comprise of the following:

|                                |                  |
|--------------------------------|------------------|
| Furniture and Fixtures         | \$ 105,054       |
| Leasehold Improvements         | 16,219           |
| Computer and Equipment         | 157,291          |
| Vehicle                        | 12,096           |
| Website                        | <u>7,500</u>     |
| Total Cost                     | 298,160          |
| Less: Accumulated Depreciation | <u>(276,607)</u> |
| Fixed Assets, Net              | <u>\$ 21,553</u> |

Depreciation and amortization expense amounts to \$9,933 for the year ended May 31, 2022.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2022**

**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, 2022, donated services that meet the recognition criteria prescribed by generally accepted accounting principles amount to \$2,022. Donated services are recorded within in-kind donations revenue on the statement of activities and within professional services on the statement of functional expenses.

Donated goods are recorded at fair value on the date of donation. No donated goods were received by the Organization during the year ended May 31, 2022.

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, 2022.

**Note 7 - Lease Commitments**

The Organization leases office and program space under a two-year lease through May 2023. The lease calls for monthly rent payments of \$3,500 per month. The Organization also leases storage space on a monthly basis. Total rent expense for the year ended May 31, 2022 was \$44,734. Future minimum lease payments are as follows:

For the Year Ended May 31, 2023    \$       42,000

**Note 8 - Liquidity**

At May 31, 2022, the Organization has \$394,197 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.

**Southside Center of Hope**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended May 31, 2022**

**Note 8 - Liquidity (Continued)**

As of May 31, 2022, 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   | \$ 39,965                |
| Investments  | 346,232                  |
| Grants Receivable  | 8,000                    |
| Total Financial Assets Available for General Expenditure     | <u>394,197</u>           |
| Less: Assets Subject to Donor Timing or Purpose Restrictions |                          |
| Excluding General Operation Restrictions                     | <u>0</u>                 |
| Total Financial Assets Available to Meet Cash Needs for      |                          |
| General Use Within One Year                                  | <u><u>\$ 394,197</u></u> |

**Note 9 - 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, 2023, 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 10 - Subsequent Events**

The date to which events occurring after May 31, 2022, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is September 6, 2022, which is the date on which the financial statements were available to be issued.