

**SOUTH SIDE OFFICE OF CONCERN**

Audited Financial Statements

For the year ended June 30, 2018

## SOUTH SIDE OFFICE OF CONCERN

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
South Side Office of Concern

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

We have audited the accompanying financial statements of South Side Office of Concern (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Side Office of Concern as of June 30, 2018, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of South Side Office of Concern's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Side Office of Concern's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "J. S. K. K. K. CPA, P.C.", is written over the printed name.

Peoria, Illinois  
March 19, 2019

## SOUTH SIDE OFFICE OF CONCERN

### Statement of Financial Position

June 30, 2018

#### Assets

##### Current assets:

Cash and cash equivalents	\$ 119,330
Grants receivable (Note 2)	82,050
Accounts receivable - client accommodations (Note 3)	8,303
Other receivables	44,237
Prepaid expenses	17,030
Reserve accounts	<u>91,551</u>
Total current assets	<u>362,501</u>

##### Noncurrent assets:

Investments (Note 5)	3,088
Note receivable - New Hope LP (Note 6)	1,012,030
Net property and equipment (Note 7)	6,080,920
Escrow Funds	<u>100</u>
Total noncurrent assets	<u>7,096,138</u>

Total assets \$ 7,458,639

#### Liabilities and Net Assets

##### Current liabilities:

Accounts payable	\$ 140,376
Accrued expenses and withholding	58,597
Rent deposits	10,094
Line of credit	105,000
Note payable - City of Peoria	26,000
Current portion of long term debt (Note 11)	<u>57,225</u>
Total current liabilities	<u>397,292</u>

Long term debt (Note 11) 483,278

Total liabilities 880,570

##### Net assets:

Unrestricted 5,522,069

##### Temporarily restricted:

OASIS 52,000

New Hope 500,000

Glendale Commons 504,000

Total net assets 6,578,069

Total liabilities and net assets \$ 7,458,639

The accompanying notes to financial statements are an integral part of these financial statements.

**SOUTH SIDE OFFICE OF CONCERN**

Statement of Activities

For the year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Support:			
Grant revenue	\$ 2,883,889	-	2,883,889
Contributions	110,285	-	110,285
United Way	145,559	-	145,559
Special events, net of expenses of \$17,802	85,569	-	85,569
Donated services	80,354	-	80,354
Total support	<u>3,305,656</u>	<u>-</u>	<u>3,305,656</u>
Revenue:			
Program service revenue	292,481	-	292,481
Developer fee	-	-	-
Gain on sale of fixed assets	2,000	-	2,000
Interest and dividend income	764	-	764
Net unrealized appreciation in fair value of	748	-	748
Total revenue	<u>295,993</u>	<u>-</u>	<u>295,993</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>143,000</u>	<u>(143,000)</u>	<u>-</u>
Total support, revenue, and reclassifications	<u>3,744,649</u>	<u>(143,000)</u>	<u>3,601,649</u>
Expenses:			
Program expenses:			
New Hope	561,713	-	561,713
Monroe Manor	81,963	-	81,963
HHH	66,150	-	66,150
Community Support Services	75,530	-	75,530
DHS Homeless Services	186,342	-	186,342
OASIS	89,883	-	89,883
Glendale Commons	481,208	-	481,208
Veterans Haven	276,659	-	276,659
Community Development	59,888	-	59,888
Outreach/rapid rehousing	592,141	-	592,141
Other	92,064	-	92,064
Total program expenses	<u>2,563,541</u>	<u>-</u>	<u>2,563,541</u>
Management and general	257,510	-	257,510
Fund raising	78,317	-	78,317
Total expenses	<u>2,899,368</u>	<u>-</u>	<u>2,899,368</u>
Increase (decrease) in net assets	845,281	(143,000)	702,281
Net assets - beginning of year, restated	<u>4,676,788</u>	<u>1,199,000</u>	<u>5,875,788</u>
Net assets - end of year	\$ <u>5,522,069</u>	<u>1,056,000</u>	<u>6,578,069</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**SOUTH SIDE OFFICE OF CONCERN**

Statement of Cash Flows  
For the year ended June 30, 2018

Cash flows from operating activities:	
Change in net assets	\$ 702,281
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Net unrealized appreciation in fair value of investments	(748)
Gain on sale of fixed assets	(2,000)
Depreciation	273,364
Change in assets and liabilities:	
Decreases (increases) in current assets:	
Grants receivable	149,241
Accounts receivable - client accommodations	(5,863)
Receivables - other	(10,320)
Prepaid expenses	(3,075)
Reserve accounts	(19,983)
Increases (decreases) in current liabilities:	
Accounts payable	84,365
Accrued expenses	(9,459)
Rent deposits	<u>71</u>
Net cash provided by operating activities	<u>1,157,874</u>
Cash flows from investing activities:	
Purchase of property and equipment	(460,644)
Proceeds from sales of property and equipment	2,000
Increase in escrow	<u>(100)</u>
Net cash used by investing activities	<u>(458,744)</u>
Cash flows from financing activities:	
Proceeds from long term debt	22,257
Principal payments on short term debt	-
Principal payments on long term debt	<u>(679,404)</u>
Net cash used by financing activities	<u>(657,147)</u>
Net increase in cash and cash equivalents	41,983
Cash and cash equivalents - beginning of year	<u>77,347</u>
Cash and cash equivalents - end of year	\$ <u>119,330</u>
Supplemental data:	
Interest expense paid	\$ <u>13,506</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**SOUTH SIDE OFFICE OF CONCERN**  
Statement of Functional Expenses  
For the Year Ended June 30, 2018

	New Hope	Monroe Manor	HHH	Community Support Services	DHS Homeless Services	OASIS	Glendale Commons	Veterans Haven	Community Development	Outreach/ Rapid Rehousing	Other	Total Programs	Management and General	Fund Raising	Total Supporting Services	Total Expenses
Salaries	\$ 227,055	24,484	22,962	44,016	126,275	35,325	143,485	155,789	-	239,394	27,200	1,045,985	58,445	54,867	113,312	1,159,297
Related expenses	41,772	5,063	4,831	9,124	22,658	6,830	23,154	17,746	-	38,722	7,024	176,924	12,335	13,048	25,383	202,307
Total salaries and related expenses	268,827	29,547	27,793	53,140	148,933	42,155	166,639	173,535	-	278,116	34,224	1,222,909	70,780	67,915	138,695	1,361,604
Assistance	218,946	12,627	9,449	69	-	10,889	69,010	69,663	-	250,432	3,055	644,140	35,771	-	35,771	679,911
Occupancy	43,442	4,581	3,504	9,479	296	4,098	17,915	5,240	-	22,294	728	111,577	25,095	2,086	27,181	138,758
Repairs and maintenance	2,580	3,785	9,719	132	-	8,252	12,028	8,230	-	2,184	4,612	51,522	1,574	32	1,606	53,128
Insurance	1,732	1,613	3,326	1,581	2,674	1,403	23,346	2,760	-	7,616	139	46,190	2,788	973	3,761	49,951
Professional fees	4,808	1,704	1,904	2,704	-	1,904	2,800	2,305	59,877	7,431	(4,871)	80,566	6,086	200	6,286	86,852
Office supplies	6,671	861	958	2,865	78	318	2,576	1,749	-	4,486	-	20,562	6,312	3,618	9,930	30,492
Telephone	5,536	688	606	2,746	572	938	3,068	1,372	-	4,911	678	21,115	3,289	259	3,548	24,663
Postage and shipping	40	14	79	6	16	4	244	39	5	57	92	596	979	335	1,314	1,910
Printing and publications	474	160	160	298	-	160	311	299	-	594	-	2,456	445	1,061	1,506	3,962
Conference and meetings	2,401	540	452	869	150	473	1,388	966	-	3,540	5,045	15,824	6,548	116	6,664	22,488
Travel	1,161	798	954	548	1,036	530	3,318	583	6	5,240	5,710	19,884	3,258	22	3,280	23,164
Dues, license, and	3,183	571	942	762	623	454	1,543	959	-	2,619	59	11,715	1,272	101	1,373	13,088
Contracted labor	903	2,582	1,776	-	31,430	402	12,261	3,156	-	-	40,524	93,034	1,300	-	1,300	94,334
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	11,793	-	-	-	-	11,793	-	-	-	11,793
Interest expense	-	6,577	-	-	366	650	50	-	-	-	-	7,643	5,863	-	5,863	13,506
Miscellaneous	1,009	199	194	331	168	199	3,998	536	-	2,621	1,380	10,635	4,166	1,599	5,765	16,400
Total expenses before depreciation	561,713	66,847	61,816	75,530	186,342	72,829	332,288	271,392	59,888	592,141	91,375	2,372,161	175,526	78,317	253,843	2,626,004
Depreciation	-	15,116	4,334	-	-	17,054	148,920	5,267	-	-	689	191,380	81,984	-	81,984	273,364
Total expenses	\$ 561,713	81,963	66,150	75,530	186,342	89,883	481,208	276,659	59,888	592,141	92,064	2,563,541	257,510	78,317	335,827	2,899,368

The accompanying notes to financial statements are an integral part of these financial statements.



## SOUTH SIDE OFFICE OF CONCERN

Notes to Financial Statements

June 30, 2018

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (A) Nature of Organization

South Side Office of Concern (SSOC) was established as a not-for-profit organization in 1982, later becoming incorporated in 1985. In 1987, the corporation was granted permanent exemption from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

#### Program Services

##### Permanent Supportive Housing Program

SSOC offers five different Permanent Supportive Housing programs totaling 125 units of housing. Permanent Supportive Housing refers to integrated permanent housing (typically rental apartments) linked with flexible community-based mental health and other supportive services that are tailored to meet each customer's changing needs while helping them live more stable, productive lives.

##### New Hope Apartments

New Hope Apartments is the joint project between SSOC and Peoria Opportunities Foundation where New Hope Apartments, LLC was created with SSOC having a 51% ownership interest. The LLC is the general partner in New Hope LP and has a 0.01% interest. This program offers housing in an 84-unit complex of efficiency apartments with a variety of onsite amenities serving homeless adults with a mental illness, a developmental disability, and/or another disabling condition. This program opened in April 2008, replacing and expanding SSOC's former Phoenix House program. Funding is blended from a variety of sources, including but not limited to the U.S Department of Housing and Urban Development, the U.S. Department of Veteran's Affairs, the Illinois Department of Human Services, the Heart of Illinois United Way, and tenant rents.

##### OASIS

This program provides housing in a 6-unit complex of 1-bedroom apartments serving homeless adults with a mental illness. This program became operational in 2002 and is primarily funded through grants from the U.S. Department of Housing and Urban Development, the Illinois Department of Human Services, and tenant rents.

##### Monroe Manor

This program provides housing in a 10-unit complex of efficiency apartments serving homeless adults with a mental illness, a developmental disability, and/or another disabling condition. This program is funded by the U.S. Department of Housing and Urban Development and through collaborative partnerships with other local social service providers.

## SOUTH SIDE OFFICE OF CONCERN

Notes to Financial Statements

June 30, 2018

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (A) Nature of Organization (continued)

##### Housing for the Handicapped Homeless Program (HHH)

This program provides permanent supportive housing in 5 single-family houses serving homeless adults with a mental illness, a developmental disability, and/or another disabling condition. This program is primarily funded through grants from the U.S. Department of Housing and Urban Development, the Illinois Department of Human Services, and tenant rents.

##### Glendale Commons

This program is a permanent supportive housing development comprised of 28 total housing units which includes 14 1-bedroom units, 4 2-bedroom units, and 10 3-bedroom units. The program serves the following special populations: (1) homeless families with at least one person in the household with a disabling condition, (2) homeless single adults with a disabling condition, (3) homeless adult couples with at least one person in the household with a disabling condition, and (4) single adults with a serious mental illness identified as class members of the *Williams Consent Decree* who are being provided access to community-based supportive housing rather than institutionalization. This program is primarily funded through grants from the U.S. Department of Housing and Urban Development (HUD), the Illinois Department of Human Services, the Heart of Illinois United Way, and tenant rents. Glendale Commons, LLC was formed as the single asset entity with SSOC as the sole member to administer this program.

##### Community Support Services Program

This program provides for a combination of behavioral health services and fiduciary payeeship for persons with mental illness or developmental disabilities.

##### DHS Homeless Supportive Services Expansion

This program is completely funded by the Illinois Department of Human Services and provides a range of supportive services to *all* homeless persons/families residing in any of SSOC's other supportive housing programs. Services include training and life skills development, workforce development and job placement, access to mainstream benefits, counseling, and advocacy.

##### Veterans Haven

This program is an Adult Living Center for homeless veterans with a mental illness. It is primarily funded through a contract with the U.S. Department of Veterans Affairs, a grant from the Illinois Department of Human Services, the Heart of Illinois United Way and donations.

## SOUTH SIDE OFFICE OF CONCERN

Notes to Financial Statements

June 30, 2018

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (A) Nature of Organization (continued)

##### Community & Housing Development

This program focuses on: (1) creating both housing and economic development projects for low income residents with related social services opportunities; (2) providing guidance and technical assistance to build leadership capacity, to improve the quality of life and well-being in the community, and to effectively increase resident input to ensure broader participation; and (3) developing partnerships with the public and private sectors to identify and pursue economic development opportunities which generate income back into low income communities (i.e. developing real estate, attracting businesses, forming new businesses and/or social enterprises, workforce development, financial literacy, summer work programs, etc.). These services are funded through a combination of corporate, government, and private sources that focus specifically on community development.

##### Homeless Outreach & Rapid Rehousing

Homeless Outreach is conducted through the PATH program which provides outreach and support services for individuals in Peoria, Tazewell, Woodford and Fulton counties who are homeless, at imminent risk of becoming homeless, do not have permanent housing, and have a serious mental illness. PATH services include outreach, screening and diagnostic treatment, case management, linkage and referral to health, educational, and housing services and job training, and assistance with identifying and securing appropriate housing. Rapid re-housing is an intervention designed to help individuals and families to quickly exit homelessness and return to permanent housing. Rapid re-housing assistance is offered without preconditions and the resources and services are tailored to the unique needs of the household. Assistance is also provided to cover move-in costs, deposits, and the rental and/or utility assistance necessary to allow individuals and families to move immediately out of homelessness and to stabilize in permanent housing.

#### (B) Basis of Presentation

The financial statements of South Side Office of Concern have been prepared on the accrual basis of accounting. Accordingly, expenses are recorded in the period in which obligations are incurred while certain revenues are recorded as increases in net assets in the period when earned. Unrestricted contributions are measured at fair value and are reported as an increase in net assets at the time of receipt.

**SOUTH SIDE OFFICE OF CONCERN**  
Notes to Financial Statements  
June 30, 2018

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(B) Basis of Presentation (continued)**

Assets are sequenced according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. South Side Office of Concern reports cash and other assets as restricted support if they are received with donor stipulations that limit use or are designated for use in future periods. When the donor/grantor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Donor/grantor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**(C) Functional Allocation of Expenses**

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, fundraising and other activities benefited, based upon a reasonable cost allocation formula.

**(D) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

**(E) Cash and Cash Equivalents**

The carrying amount of cash and cash equivalents approximates fair value and consists of cash on hand, cash held in banks, and holdings of highly liquid short-term investments which have original maturities of three months or less at the date of acquisition.

**(F) Valuation of Investments**

Investments of South Side Office of Concern include marketable equity securities which are carried at fair value as determined by quoted market prices. Realized and unrealized gains and losses on investments are reflected as an increase or decrease in the statement of activities, subject to any donor-imposed restrictions.

**SOUTH SIDE OFFICE OF CONCERN**

Notes to Financial Statements

June 30, 2018

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(G) Property and Equipment**

Property and equipment are stated at cost or fair market value at date of donation. Major renewals and improvements are capitalized, while maintenance and repairs are expensed as incurred. Depreciation is provided for by utilizing the application of the straight-line method over the estimated useful lives of the assets as follows:

Buildings and leasehold improvements	20-39 years
House furnishings and equipment	3-5 years
Office furniture and equipment	5-7 years

When assets are retired or disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

**(H) Advertising Costs**

The costs of advertising are expensed to the appropriate function as incurred.

**(I) Contributed Service, Assets, and Materials**

A number of unpaid volunteers have made significant contributions of their time to certain program, fund raising, and administration services which support the South Side Office of Concern. The value of this contributed time is not reflected in these financial statements since the services do not require specialized skills. Donated professional services (which include accounting, legal, and information technology specialties) are reflected in the statement of activities at their fair value.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

**(J) Income Taxes**

South Side Office of Concern was granted permanent exemption from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code in 1987. The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes. Management has evaluated tax positions taken by the Organization and has concluded that Habitat had taken no uncertain tax positions that would require recognition of a liability or disclosure in the financial statements.

**SOUTH SIDE OFFICE OF CONCERN**  
Notes to Financial Statements  
June 30, 2018

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(J) Income Taxes (continued)**

The Organization's Forms 990, Return of Organization Exempt from Income Tax are subject to examination by the IRS, generally for three years after they were filed. There are currently no audits for any tax periods in progress. SSOC believes it is no longer subject to tax examinations for tax years ending prior to June 30, 2015.

**NOTE 2 GRANTS RECEIVABLE**

Grants receivable at year end were composed of the following:

Illinois Department of Human Services -		
PATH	\$	15,143
ESG		5,897
Illinois Department of Health & Family Services		
Medicaid		1,595
Veterans Administration		27,931
Department of Housing and Urban Development		18,492
Supportive Service		8,628
Other		<u>4,364</u>
	\$	<u>82,050</u>

**NOTE 3 ACCOUNTS RECEIVABLE - CLIENT ACCOMODATIONS**

Client accommodations represent monies advanced to individuals for food, housing costs and other basic necessities that will be reimbursed to the organization at a later date. As amounts become uncollectible, they are charged to the related program expense.

**NOTE 4 FUND RAISING ACTIVITIES**

The South Side Office of Concern sponsored three major fundraising events during the year ended June 30, 2018. Summary financial information for these events is as follows:

Revenue	\$	103,371
Less: direct expenses		<u>(17,802)</u>
Net fundraising revenue	\$	<u>85,569</u>

**SOUTH SIDE OFFICE OF CONCERN**  
Notes to Financial Statements  
June 30, 2018

**NOTE 5 INVESTMENTS**

The fair value measurement literature establishes a value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than the quoted prices included in Level 1, and Level 3 inputs are unobservable inputs and, thus, have the lowest priority. SSOC uses Level 1 inputs. Shares of common stock are valued at quoted market prices, which represent the net asset value of shares held by SSOC at year end.

The following represents investments of the South Side Office of Concern as of June 30, 2018:

Common Stock			
Valhi, Inc.	\$	1,999	
Titanium Metals Corporation		<u>1,089</u>	
	\$	<u>3,088</u>	

**NOTE 6 NEW HOPE, LP**

In December 2006, the Concern and Peoria Opportunities Foundation jointly purchased real estate located at 301 NE Jefferson with a Home Funds grant from the City of Peoria. In June 2007, this real estate was sold to New Hope LP for \$450,000. Peoria Opportunities Foundation relinquished all claims to the real estate, Home Funds, and any related loans.

In August 2007, the Concern received the final disbursement of \$62,030 from the City of Peoria for the Home Grant. These funds were subsequently loaned to New Hope LP.

In September 2007, the Concern received a \$500,000 subsidy from the Federal Home Loan Bank of Chicago to be used for the New Hope Apartments project. These funds were subsequently loaned to New Hope LP.

**NOTE 7 NET PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2018:

Houses			\$ 151,671
Furnishings			53,398
Vehicles			109,771
Office furniture and equipment			329,122
Building			<u>6,755,478</u>
Total property and equipment			7,399,440
Less: accumulated depreciation			<u>(1,318,520)</u>
Net property and equipment	\$		<u>6,080,920</u>

**SOUTH SIDE OFFICE OF CONCERN**  
Notes to Financial Statements  
June 30, 2018

**NOTE 8 PROPERTY AND SERVICE COMMITMENTS**

On April 1, 2008, South Side Office of Concern entered into a fifteen-year lease agreement for office space in a building located at 301 North East Jefferson Street, Peoria, Illinois. Under the lease provisions, the lessee is responsible for monthly lease payments of \$2,881 and their pro-rata share of real estate taxes, insurance, utilities, and maintenance costs. The lease also provides for a 3% increase in base rent each year. Total rental expense incurred under this lease agreement for the year ended June 30, 2018 was \$42,842. The total of future minimum lease payments as of June 30, 2018 is \$264,426.

The future minimum lease payments for all leases at June 30, 2018 are as follows:

Year ending June 30	
2019	\$ 44,127
2020	45,451
2021	46,815
2022	48,219
2023	36,972
Thereafter	<u>- 0 -</u>
Total future minimum lease payments	\$ <u>221,584</u>

**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

Grants were received from FHLB and HUD for the construction of apartments for the OASIS program. These grants included provisions for the duration of the program for 15 to 20 years. This placed a restriction on the Concern for \$130,000 from each organization. The restriction for the HUD funds is reduced each year, beginning 10 years after their receipt. Prior to June 30, 2018, the restriction for the FHLB funds was removed.

A grant was received from FHLB for the renovation of a building for the New Hope project. This grant included a provision for the duration of the program for 15 years. This placed a restriction on the Concern for \$500,000.

A grant was received from FHLB for use in the Glendale Commons project. This grant included a provision for the duration of the program for 15 years. This placed a restriction on the Concern for \$504,000.



**SOUTH SIDE OFFICE OF CONCERN**  
Notes to Financial Statements  
June 30, 2018

**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS (continued)**

Changes in temporarily restricted net assets for the year ended June 30, 2018 were:

	Beginning Balance	Revenues/ Transfers	Expenses/ Transfers	Ending Balance
OASIS Program	\$ 195,000	\$ - 0 -	\$ 143,000	\$ 52,000
New Hope Program	500,000	- 0 -	- 0 -	500,000
Glendale Commons	<u>504,000</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>504,000</u>
	<u>\$1,199,000</u>	<u>\$ - 0 -</u>	<u>\$ 143,000</u>	<u>\$ 1,056,000</u>

**NOTE 10 RISK MANAGEMENT**

Concentrations which potentially subject South Side Office of Concern to credit and market risk consist principally of cash and cash equivalents and investments. The Concern's cash and cash equivalents and investments are deposited in a local bank or with a quality investment brokerage firm. As a result, the Concern's exposure to market and credit risk may at times be concentrated with these counterparties. The Concern has not experienced losses in any of these accounts and management does not believe South Side Office of Concern is exposed to any significant credit risk. However, the credit worthiness of these counterparties is subject to continuing review and full performance is anticipated. As of June 30, 2018, there were no amounts that were not either insured or collateralized.

**NOTE 11 MAJOR FUNDING SOURCES**

Current year grant revenues received by the South Side Office of Concern from the following agencies represent significant portions of total revenues.

	SSOC Only	Total
Illinois Department of Human Services	22.9%	15.8%
Department of Housing and Urban Development	27.8%	22.0%
Veterans Affairs	16.1%	10.4%
Illinois Housing Development Authority	<u>0.0%</u>	<u>27.3%</u>
Total	<u>66.8%</u>	<u>75.5%</u>

A significant reduction in the level of grant support, if it were to occur, may have an effect on the programs provided.

**SOUTH SIDE OFFICE OF CONCERN**

Notes to Financial Statements

June 30, 2018

**NOTE 12 LONG TERM DEBT**

Long term debt at June 30, 2018 consisted of the following:

Commercial mortgage payable to IFF at an interest rate of 5.25%, due in monthly installments of \$1,591, including principal and interest, secured by land and building, due April 1, 2027	\$ 132,055
Commercial mortgage payable to Busey Bank at an interest rate of 4.50%, due in monthly installments of \$4,799, including principal and interest, secured by land and building, due June 2, 2023	387,865
Commercial note payable to Busey Bank at an interest rate of 3.75%, due in monthly installments of \$408, including principal and interest, secured by a vehicle, due January 25, 2023	<u>20,583</u>
Total	540,503
Less current portion	<u>57,225</u>
Long term debt, net	<u>\$ 483,278</u>

The schedule of aggregate maturities on long-term debt is as follows:

<u>June 30</u>	
2019	\$ 57,225
2020	59,948
2021	62,802
2022	65,794
2023	231,924
Thereafter	<u>62,810</u>
	<u>\$ 540,503</u>

**SOUTH SIDE OFFICE OF CONCERN**

Notes to Financial Statements

June 30, 2018

**NOTE 13 TAX DEFERRED ANNUITY**

Effective August 1, 2004, the South Side Office of Concern established a Tax-Deferred Group Annuity Contract with Mutual of America Life Insurance Company in order to provide its employees the opportunity to participate in a voluntary retirement savings program. The plan is subject to Section 403(b) of the Internal Revenue Code. Eligible employees may elect to make salary reduction contributions on a pre-tax basis through payroll deduction, subject to certain limitations under the Internal Revenue Code.

**NOTE 14 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 22, 2019, the date which the financial statements were available to be issued.

**NOTE 15 PRIOR PERIOD ADJUSTMENT**

The beginning net asset balances for the year ended June 30, 2018 have been restated to properly reflect the expenditure of funds for Shelter Plus Care. In prior years, these amounts had been incorrectly reported as loans to New Hope Apartments, LP. The impact of this restatement is presented in the financial information for June 30, 2018 as follows:

Note Receivable – New Hope LP	\$(688,559)
Net Assets, beginning	\$(688,559)