

Side Project, Inc.

Financial Statements (Unaudited)

December 31, 2020

SKM

SCHAFFNER KNIGHT MINNAUGH & CO.

Certified Public Accountants

www.skmco.com

Erie, PA  Jamestown, NY

An Independently Owned Member, RSM US Alliance

Side Project, Inc.
Financial Statements (Unaudited)
Year Ended December 31, 2020

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Side Project, Inc.
Erie, Pennsylvania

We have reviewed the accompanying financial statements of Side Project, Inc. (a Nonprofit Organization), which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Schaffner, Knight, Minnaugh & Company P.C.
Erie, Pennsylvania
May 3, 2021

An independently owned member
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Side Project, Inc.
Statement of Financial Position (Unaudited)
December 31, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 321,360
Accounts receivable	6,338
Total Assets	<u>\$ 327,698</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Credit cards payable	\$ 13,472
Other liabilities	74
Total current liabilities	<u>13,546</u>

Long-term obligation 8,100

Net assets:

Without donor restrictions	28,944
With donor restrictions	277,108
Total net assets	<u>306,052</u>

Total liabilities and net assets \$ 327,698

See independent accountant's review report and notes to financial statements.

Side Project, Inc.
Statement of Activities (Unaudited)
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Contributions	\$ 12,308	\$ 462,364	\$ 474,672
Program service revenues	73,733	-	73,733
	<u>86,041</u>	<u>462,364</u>	<u>548,405</u>
Net assets released from restriction	327,140	(327,140)	-
Total support and revenues	<u>413,181</u>	<u>135,224</u>	<u>548,405</u>
Expenses:			
Program services:			
Legal projects and services	372,591	-	372,591
Supporting services:			
Management and general	34,124	-	34,124
Fundraising	16,777	-	16,777
Total expenses	<u>423,492</u>	<u>-</u>	<u>423,492</u>
Other income:			
Interest income	12	-	12
(Decrease) increase in net assets	(10,299)	135,224	124,925
Net assets at beginning of year	<u>39,243</u>	<u>141,884</u>	<u>181,127</u>
Net assets at end of year	<u>\$ 28,944</u>	<u>\$ 277,108</u>	<u>\$ 306,052</u>

See independent accountant's review report and notes to financial statements.

Side Project, Inc.
Statement of Functional Expenses (Unaudited)
Year Ended December 31, 2020

	Program Services	Supporting Services		Totals
	Legal Projects & Services	Management & General	Fundraising	2020
Advertising and promotion	\$ 21,469	\$ 2,526	\$ 1,263	\$ 25,258
Bank charges	1,860	-	-	1,860
Charitable contributions	74,849	-	-	74,849
Client fees	4,491	-	-	4,491
Conferences and seminars	2,572	303	151	3,026
Employee benefits	3,825	450	225	4,500
Insurance	3,691	434	217	4,342
Legal and professional fees	114,336	13,451	6,726	134,513
Licenses	1,060	-	-	1,060
Meals and entertainment	1,179	139	69	1,387
Office expense	11,512	1,354	677	13,543
Payroll	28,303	3,330	1,665	33,298
Payroll taxes	8,299	976	488	9,763
Printing and publications	1,452	171	85	1,708
Rent	8,804	1,036	518	10,358
Subcontractors	72,312	8,507	4,254	85,073
Utilities	1,367	161	80	1,608
Travel	5,108	568	-	5,676
Other expenses	6,102	718	359	7,179
Totals	\$ 372,591	\$ 34,124	\$ 16,777	\$ 423,492

See independent accountant's review report and notes to financial statements.

Side Project, Inc.
Statement of Cash Flows (Unaudited)
Year Ended December 31, 2020

Operating Activities:

Increase in net assets	\$ 124,925
Changes in operating assets and liabilities (using) providing cash:	
Accounts receivable	(6,338)
Credit cards payable	10,135
Other liabilities	(95)
Net cash provided by operating activities	<u>128,627</u>

Financing Activity:

Borrowings under the Paycheck Protection Program	<u>8,100</u>
Net cash provided by financing activity	<u>8,100</u>
Net increase in cash and cash equivalents	136,727
Cash and cash equivalents, at beginning of year	<u>184,633</u>
Cash and cash equivalents, at end of year	<u><u>\$ 321,360</u></u>

See independent accountant's review report and notes to financial statements.

Side Project, Inc.
Notes to Financial Statements (Unaudited)
December 31, 2020

1. Summary of Significant Accounting Policies

Nature of Activities

Side Project, Inc. (the Organization) is a 501(c)(3) non-profit organization whose mission is to promote social justice and social change by incubating and developing grassroots projects, with operations in Palm Beach County, Florida, as well as, in Pittsburgh and Erie, Pennsylvania. The Organization supports individuals, organizations, and institutions focused on social change as they begin to identify, utilize, and add to the existing assets of their community.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting. The financial statements of the Organization have been prepared, in all material respects, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not for Profit Entities* and the provisions of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Not-for-Profit Organizations. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

The Organization reports gifts of cash and other assets as with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets. Some donor-imposed restrictions are temporary in nature. When a restriction expires, that is, when a stipulated time restriction ends or a 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.

Basis of Net Asset Presentation

The Organization is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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

At December 31, 2020, net assets with donor restrictions relates to numerous community building and social justice projects and are temporary in nature.

See independent accountant's review report.

Side Project, Inc.
Notes to Financial Statements (Unaudited) - (continued)

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization recognizes program service revenues at the point in time in which the service is provided.

Promises to Give and Contributions

The Organization recognizes unconditional contributions when pledged (promise to give). Pledges are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Donated Goods and Services

Donated materials, equipment and services are recorded as contributions at their estimated fair market value at the date of the gift. During the year ended December 31, 2020, the value of contributed services meeting the requirements for recognition in the financial statements were not material to the financial statements and have not been recorded.

In addition, the Organization receives volunteer hours relating to unpaid services performed by the Board of Directors and other individuals who perform a variety of tasks. The value of this contributed time is not reflected in the financial statements since the volunteers' time does not meet the criteria for recognition.

Functional Allocation of Expenses

The cost of providing programs and other activities, as included in the Statement of Functional Expenses, has been allocated among program activity and supporting activities benefited. Such allocations are determined by management on an equitable basis. Natural expenses attributed to more than one functional expense category are allocated using reasonable cost allocation techniques. All expenses are allocated based on direct conduct.

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 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.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and equivalents, receivables, credit cards payable and other liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of the long-term obligation is a reasonable estimate of fair value as the interest rates approximate rates currently available to market participants with similar credit risk to the Organization for obligations with similar terms and remaining maturities.

See independent accountant's review report.

Side Project, Inc.
Notes to Financial Statements (Unaudited) - (continued)

1. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standard

During June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not-for Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made to Not-for-Profit Entities*. The new guidance is intended to provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The Organization adopted the new standard effective January 1, 2020, the first day of the Organization's year using the modified retrospective approach.

The adoption resulted in no changes to the net assets as reported at January 1, 2020. The impact of applying this ASU for the year ended December 31, 2020 primarily resulted in the Organization reevaluating contributions, grants and similar contracts for the determination of whether the transaction is reciprocal or nonreciprocal and distinguishing between conditional and unconditional contributions. For the year ended December 31, 2020, all contributions, including other program service revenues, were determined to be nonreciprocal, therefore, do not qualify as exchange transactions. Certain contributions are subject to stipulations imposed by donors, and grantors and classified as contributions with donor restrictions.

Cash and Cash Equivalents

Cash includes currency on deposit with financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and have an original maturity of three months or less. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). At various times throughout the year, the Organization may maintain balances in excess of the federally insured limit. The reported amount on the statements of financial position for cash and cash equivalents is determined in accordance with FASB ASC topic on *Fair Value Measurements and Disclosures*. Cash equivalents are considered Level 1 investments as their fair value is determined by readily available pricing sources from active markets.

Accounts Receivable

The Organization uses the allowance method to account for potential doubtful accounts. Based on collection history and management's review of specific accounts, the Organization believes no allowance for doubtful accounts is necessary at December 31, 2020.

Income Tax Status

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. The Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization, the continued tax-exempt status and various positions related to the potential sources of unrelated business taxable income (UBIT).

See independent accountant's review report.

Side Project, Inc.
Notes to Financial Statements (Unaudited) - (continued)

1. Summary of Significant Accounting Policies (continued)

Income Tax Status (continued)

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2020, there were no unrecognized tax benefits identified or liabilities recorded.

With few exceptions, the Organization is no longer subject to examination by the Internal Revenue Service for years before December 31, 2017.

Advertising and Promotion

The costs of advertising and promotions are recorded as expense when they are incurred. Advertising and promotional costs amounted to \$25,258 for the year ended December 31, 2020.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based upon the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact of the pending adoption of this guidance on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through May 3, 2021 the date the financial statements were available to be issued.

2. Leases

The Organization leases a vehicle and office space under separate operating leases extending through 2023. The Organization also leases certain additional coworking office spaces under month-to-month operating leases. Future minimum lease payments required under the non-cancelable lease agreements for the years following December 31, 2020 are as follows:

2021	\$ 6,909
2022	4,800
2023	4,000

See independent accountant's review report.

Side Project, Inc.
Notes to Financial Statements (Unaudited) - (continued)

2. Leases (continued)

Total lease expense amounted to \$14,443 for the year ended December 31, 2020.

3. Liquidity and Availability of Resources

The Organization receives grants, contributions and other support which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended December 31, 2020, total support of \$12,308 was included in financial assets available to meet cash needs for general expenditures.

The Organization manages its liquidity and reserves following three guiding principles:

1. Operating within a prudent range of financial soundness and stability;
2. Maintaining adequate liquid assets to fund near-term operating needs; and
3. Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization's liquidity policy structures its financial assets to be available as general expenditures, liabilities and other obligations become due. In order to adhere to this policy, the Organization forecasts future cash flows, monitors liquidity quarterly, and monitors its reserves annually. During the year ended December 31, 2020, the level of liquidity and reserves was managed within the policy requirements.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations at December 31, 2020:

Cash and cash equivalents	\$ 321,360
Accounts receivable	6,338
Total financial assets	<u>327,698</u>
Contractual or donor-imposed restrictions:	
Legal projects and service programs	<u>(277,108)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 50,590</u></u>

Board designated net assets are comprised of the following as of December 31, 2020:

Board designation:	
Legal funds	<u><u>\$ (8,312)</u></u>

See independent accountant's review report.

Side Project, Inc.
Notes to Financial Statements (Unaudited) - (continued)

4. Long-term Obligation

During April 2020, the Organization borrowed \$8,100 under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) of the CARES Act as a precautionary measure resulting from uncertainty of the financial impact resulting from the COVID-19 virus. The Organization has elected to account for the PPP loan proceeds under the *Debt* topic of the FASB ASC. The PPP loan is eligible for forgiveness when proceeds are used to pay allowable costs, principally qualifying payroll costs. The Organization used the proceeds on qualifying costs. During January 2021, the Organization's application for loan forgiveness was approved by the SBA; accordingly, the Organization was formally released from its obligation to repay this loan. The Organization will recognize the benefit of the loan forgiveness during the year ending December 31, 2021.

5. Retirement Plan

The Organization established an SEP individual retirement account (IRA) plan for eligible employees. At the Organization's discretion, contributions up to 5% of gross compensation may be made to the participating employees' IRA accounts. The Organization's contributions charged to operations totaled \$4,500 for the year ended December 31, 2020.

6. Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) surfaced and has spread throughout the world and was declared a Public Health Emergency of International Concern by the World Health Organization. The extent to which the coronavirus may impact business activity and the carrying value of the Organization's underlying assets are dependent on future developments. These future developments and their impact are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions required to contain the coronavirus, among others.