

Side Project, Inc.

(a Non-Profit Corporation)

Financial Statements

December 31, 2017

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. (a Non-Profit Corporation)
Financial Statements

Years Ended December 31, 2017 (Unaudited) and December 31, 2016 (Audited)

Contents

Independent Accountant’s Review Report	1
Financial Statements (2017 Unaudited, 2016 Audited):	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements.....	7



SCHAFFNER KNIGHT MINNAUGH & CO.
Certified Public Accountants
www.skmco.com

1545 West 38th Street
Erie, PA 16508
Phone: (814) 454-1997
Fax: (814) 454-1476

500 Pine Street, Suite 14
Jamestown, New York 14701
Phone: (716) 483-0071
Fax: (716) 483-0161

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Side Project, Inc. (a Non-Profit Corporation)
Erie, Pennsylvania

We have reviewed the accompanying financial statements of Side Project, Inc. (a Non-Profit Corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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.

An independently owned member
RSM US Alliance



Report on 2016 Financial Statements

The 2016 financial statements of Side Project, Inc. (a Non-Profit Corporation) were audited by us, and we expressed an unmodified opinion on them in our report, dated September 25, 2017. We have not performed any auditing procedures since that date.

Schiffman, Knight, Munnich & Company P.C.
Erie, Pennsylvania
September 12, 2018

Side Project, Inc. (a Non-Profit Corporation)
Statements of Financial Position

	December 31	
	2017	2016
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash	\$ 1,635	\$ 14,255
Restricted cash	139,721	62,191
Accounts receivable	30,655	7,459
Prepaid expenses	23,334	-
Total assets	\$ 195,345	\$ 83,905
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,224	\$ 2,500
Payroll liabilities	1,768	-
Total liabilities	4,992	2,500
Net assets:		
Unrestricted	50,632	19,214
Temporarily restricted	139,721	62,191
Total net assets	190,353	81,405
Total liabilities and net assets	\$ 195,345	\$ 83,905

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

Side Project, Inc. (a Non-Profit Corporation)
Statement of Activities
Year Ended December 31, 2017 (Unaudited)

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions:			
Grants	\$ 176,611	\$ 116,298	\$ 292,909
Donations	13,574	20,000	33,574
Fundraising events	14,501	-	14,501
Program service revenues	57,986	-	57,986
Other income	3,311	-	3,311
Total revenues and support	265,983	136,298	402,281
Net assets released from restriction	58,768	(58,768)	-
Total unrestricted revenues	324,751	77,530	402,281
Expenses			
Program expenses:			
Charitable contributions	20,861	-	20,861
Client expenses	4,113	-	4,113
Office expenses	29,297	-	29,297
Payroll	176,718	-	176,718
Travel	18,279	-	18,279
Workshops	326	-	326
Fundraising expenses	15,926	-	15,926
General and administrative expenses:			
Advertising	3,700	-	3,700
Dues and subscriptions	2,035	-	2,035
Insurance	6,830	-	6,830
Legal and professional	2,706	-	2,706
Office expenses	7,324	-	7,324
Other expenses	5,218	-	5,218
Total expenses	293,333	-	293,333
Increase in net assets	31,418	77,530	108,948
Net assets at beginning of year	19,214	62,191	81,405
Net assets at end of year	<u>\$ 50,632</u>	<u>\$ 139,721</u>	<u>\$ 190,353</u>

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

Side Project, Inc. (a Non-Profit Corporation)
Statement of Activities
Year Ended December 31, 2016 (Audited)

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions:			
Grants	\$ 2,925	\$ 70,150	\$ 73,075
Donations	31,759	5,000	36,759
Fundraising events	8,285	-	8,285
Program service revenues	69,865	-	69,865
Other income	1,205	-	1,205
Total revenues and support	114,039	75,150	189,189
Net assets released from restriction	41,803	(41,803)	-
Total unrestricted revenues	155,842	33,347	189,189
Expenses			
Program expenses:			
Charitable contributions	14,362	-	14,362
Client expenses	1,672	-	1,672
Office expenses	10,324	-	10,324
Payroll	68,652	-	68,652
Travel	17,167	-	17,167
Workshops	6,569	-	6,569
Fundraising expenses	10,299	-	10,299
General and administrative expenses:			
Advertising	3,506	-	3,506
Dues and subscriptions	826	-	826
Insurance	3,654	-	3,654
Legal and professional	2,208	-	2,208
Office expenses	2,581	-	2,581
Other expenses	4,707	-	4,707
Total expenses	146,527	-	146,527
Increase in net assets	9,315	33,347	42,662
Net assets at beginning of year	9,899	28,844	38,743
Net assets at end of year	<u>\$ 19,214</u>	<u>\$ 62,191</u>	<u>\$ 81,405</u>

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

Side Project, Inc. (a Non-Profit Corporation)
Statements of Cash Flows

	Years Ended December 31	
	2017	2016
	(Unaudited)	(Audited)
Operating Activities:		
Increase in net assets	\$ 108,948	\$ 42,662
Changes in operating assets and liabilities (using)		
providing cash:		
Accounts receivable	(23,196)	(3,525)
Prepaid expenses	(23,334)	-
Accounts payable	724	(1,100)
Payroll liabilities	1,768	-
Net cash and restricted cash provided by operating activities	64,910	38,037
Net increase in cash and restricted cash	64,910	38,037
Cash and restricted cash at beginning of year	76,446	38,409
Cash and restricted cash at end of year	\$ 141,356	\$ 76,446

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

Side Project, Inc. (a Non-Profit Corporation)
Notes to Financial Statements
December 31, 2017

1. 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.

2. Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

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.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue and support are recognized in the period earned and expenses are recognized when incurred.

Revenue Recognition

The Organization recognizes program service revenue in the period in which the service revenue is earned.

The Organization recognizes contributions as revenue in the period in which a pledge (promise to give) is received. The Organization considers all contributions to be unrestricted unless specifically restricted by the donor.

Net Assets

The Organization classifies resources for accounting and reporting purposes into separate net asset classes based on the absence or existence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories. A description of the Organization's net asset categories is as follows:

Unrestricted Net Assets – Unrestricted net assets are not subject to donor-imposed restrictions or stipulations as to purpose or use.

See independent accountant's review report.

Side Project, Inc. (a Non-Profit Corporation)
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Temporarily Restricted Net Assets – Temporarily restricted net assets are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of the Organization or the passage of time.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor-imposed restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reported in the statement of activities as net assets released from restrictions. However, donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Cash

Cash includes all checking account cash balances. At times, cash deposits may exceed federally insured limits.

Restricted Cash

Restricted cash represents cash in which the use is restricted to the projects as designated by the donors, and is expected to be used during the course of the next year.

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, 2017 and 2016.

Income Taxes

The Organization is exempt for federal tax purposes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

The Organization follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic on *Income Taxes*, which prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before recognized in financial statements. The Organization's statement of financial position at December 31, 2016 does not include any liabilities associated with uncertain tax positions; further, the Organization has no unrecognized tax benefits. The Organization would classify interest and penalties as income tax expense if any were incurred. The Organization is no longer subject to examination of its tax returns for years before December 31, 2014.

See independent accountant's review report.

Side Project, Inc. (a Non-Profit Corporation)
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Advertising

The costs of advertising are recorded as expense when they are incurred. Advertising costs amounted to \$3,700 and \$3,506 for the years ended December 31, 2017 and 2016, respectively.

Subsequent Events

The Organization has evaluated subsequent events through September 12, 2018, the date the financial statements were available to be issued.

3. Lease

The Organization leased a vehicle under an operating lease agreement, requiring monthly payments of \$348 through July 2018. During May 2018, this vehicle lease was replaced under a new operating lease agreement, requiring monthly payments of \$352 through July 2021. Rental expense amounted to \$3,829 and \$5,444 for the years ended December 31, 2017 and 2016, respectively.

4. Restriction of Net Assets

Temporary restrictions on net assets at December 31, 2017 and 2016 are related to numerous community building and social justice projects.

5. Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 for one year making it effective for annual reporting periods beginning after December 15, 2018. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* to assist preparers with identifying performance obligations and implementing licensing guidance under the new revenue standard. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. This ASU provides clarifying guidance in certain narrow areas and adds some practical expedients relative to assessing collectability, presentation of taxes collected from customers, noncash consideration, contract modifications at transition, and completed contracts at transition and technical corrections. The amendments have the same effective date and transition requirements as ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of these ASUs on its financial statements.

See independent accountant's review report.

Side Project, Inc. (a Non-Profit Corporation)
Notes to Financial Statements (continued)

5. Recently Issued Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU 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, 2019, with early adoption permitted. The Organization is currently evaluating the impact of the pending adoption of this guidance on its financial statements.

During August 2016, the FASB issued ASU No. 2016-14, *Not-For Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is currently assessing the impact this standard will have on its financial statements.

See independent accountant's review report.