

ZION HILL COMMUNITY DEVELOPMENT CORPORATION

**AUDITED FINANCIAL STATEMENTS
Together With Independent Auditor's Report**

DECEMBER 31, 2018 AND 2017

ZION HILL COMMUNITY DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Zion Hill Community Development Corporation

We have audited the accompanying financial statements of Zion Hill Community Development Corporation ("ZHCDC"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, and cash flows for the years 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 audits. We conducted our audits 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 audits 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 Zion Hill Community Development Corporation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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 June 10, 2019 on our consideration of Zion Hill Community Development Corporation'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 Zion Hill Community Development Corporation's internal control over financial reporting and compliance.

PJC Group, LLC

Atlanta, Georgia
June 10, 2019

ZION HILL COMMUNITY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 31,774	\$ 29,313
Employee Advances	<u>4,000</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 35,774</u>	 <u>\$ 29,313</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Net Assets		
Unrestricted	35,744	29,313
Temporarily restricted	<u>-</u>	<u>-</u>
 Total Net Assets	 <u>35,744</u>	 <u>29,313</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 35,744</u>	 <u>\$ 29,313</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

ZION HILL COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2018</u>
<u>REVENUE AND SUPPORT</u>			
Contributions- Church	\$ 150,000	\$ -	\$ 150,000
Grants	-	647,972	647,972
Other Support	222,897	-	222,897
Net assets released from restriction:			
Satisfaction of program restrictions	647,972	(647,972)	-
TOTAL REVENUE AND OTHER SUPPORT	1,020,869	-	1,020,869
<u>EXPENSES</u>			
Program Services	955,081	-	955,081
Management and General	52,438	-	52,438
Fundraising	6,889	-	6,889
TOTAL EXPENSES	1,014,408	-	1,014,408
Change in Net Assets	6,461	-	6,461
Net assets beginning of year	29,313	-	29,313
Net assets at end of year	<u>\$ 35,774</u>	<u>\$ -</u>	<u>\$ 35,774</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

ZION HILL COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2017</u>
<u>REVENUE AND SUPPORT</u>			
Contributions- Church	\$ 150,000	\$ -	\$ 150,000
Grants	-	352,318	352,318
Other Support	103,542	-	103,542
Net assets released from restriction:			
Satisfaction of program restrictions	352,318	(352,318)	-
TOTAL REVENUE AND OTHER SUPPORT	605,860	-	605,860
<u>EXPENSES</u>			
Program Services	540,775	-	540,775
Management and General	42,317	-	42,317
Fundraising	6,467	-	6,467
TOTAL EXPENSES	589,559	-	589,559
Change in Net Assets	3	-	3
Net assets beginning of year	29,310	-	29,310
Net assets at end of year	<u>\$ 29,313</u>	<u>\$ -</u>	<u>\$ 29,313</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

ZION HILL COMMUNITY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018
AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,461	\$ 3
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) in accounts receivable	(4,000)	-
Net cash provided by (used in) operating activities	2,461	3
Net increase (decrease) in cash	2,461	3
Cash - beginning of year	29,313	29,310
Cash - end of year	\$ 31,774	\$ 29,313

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

ZION HILL COMMUNITY DEVELOPMENT CORPORATION**Statement of Functional Expenses****Year ended December 31, 2018**

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries and wages	\$ 294,250	\$ 7,500	\$ -	\$ 301,750
Payroll taxes	19,081	269	-	19,350
Other employee benefits	21,053	14,925	-	35,978
Contract Labor	8,660	-	-	8,660
Rent and utilities	191,385	-	-	191,385
Marta cards	2,083	-	-	2,083
Alarm and Security	-	775	-	775
Insurance expense	-	14,482	-	14,482
Furniture expense	6,952	-	-	6,952
Miscellaneous expense	1,152	5,388	-	6,540
Office expense	13,676	7,997	-	21,673
Telephone expense	6,194	808	-	7,002
Food costs	20,563	-	-	20,563
Computer expense	2,038	24	-	2,062
Supplies expense	1,640	-	-	1,640
Web services expense	13,477	270	212	13,959
Fundraising expenses			6,677	6,677
Program Expenses	<u>352,877</u>	<u>-</u>	<u>-</u>	<u>352,877</u>
Total expenses	<u>\$ 955,081</u>	<u>\$ 52,438</u>	<u>\$ 6,889</u>	<u>\$ 1,014,408</u>

See accompanying notes to financial statements.

ZION HILL COMMUNITY DEVELOPMENT CORPORATION

Statement of Functional Expenses

Year ended December 31, 2017

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries and wages	\$ 190,879	\$ 7,500	\$ -	\$ 198,379
Payroll taxes	16,175	674	-	16,849
Other employee benefits	10,428	4,847	-	15,275
Contract Labor	9,830	-	-	9,830
Rent and utilities	94,892	-	-	94,892
Marta cards	4,901	-	-	4,901
Alarm and Security	-	695	-	695
Insurance expense	-	17,145	-	17,145
Furniture expense	9,101	-	-	9,101
Miscellaneous expense	2,273	801	-	3,074
Office expense	13,999	6,461	-	20,460
Telephone expense	4,745	287	-	5,032
Food costs	8,147	-	-	8,147
Computer expense	-	268	-	268
Supplies expense	2,825	3,154	-	5,979
Web services expense	2,802	485	-	3,287
Fundraising expenses			6,467	6,467
Program Expenses	<u>169,778</u>	<u>-</u>	<u>-</u>	<u>169,778</u>
Total expenses	<u>\$ 540,775</u>	<u>\$ 42,317</u>	<u>\$ 6,467</u>	<u>\$ 589,559</u>

See accompanying notes to financial statements.

ZION HILL COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION

Zion Hill Community Development Corporation (“ZHCDC”) was formed to promote revitalization and redevelopment in Metropolitan Atlanta and to empower its citizens by stimulating economic, residential, social and educational resurgence.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification, *Financial Statements of Not-for-profit Organizations*. There are three classes of net assets, unrestricted, temporarily restricted, and permanently restricted, are reported in the financial statements:

- a) Unrestricted net assets – Net assets that are not subject to grantor or donor-imposed stipulations.
- b) Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of ZHCDC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- c) Permanently restricted net assets – Net assets subject to grantor or donor-imposed stipulations that they be maintained permanently by ZHCDC to use all or part of the assets for general or specific purposes. There were no permanently restricted net assets as of December 31, 2018 and 2017.

PROPERTY AND EQUIPMENT

Property and equipment acquisitions are capitalized at cost for purchased assets and fair market value for donated assets. Property and equipment are depreciated using the straight-line method over their estimated useful lives

**ZION HILL COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX STATUS

The organization is a not-for-profit organization that is exempt from income taxes pursuant to Section 501 (c) (3) of the Internal Revenue Code of 1986 as amended. ZHCDC believes more likely than not, that its exempt position will be sustained if examined by the authorities.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

NOTE 3- RELATED PARTY

Zion Hill Community Development Corporation receives a substantial portion of its support from the Zion Hill Baptist Church, a related organization.

NOTE 4- SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 10, 2019, which is the date the financial statements were available to be issued.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Deacons
Zion Hill Community Development Corporation

We have audited, in accordance with the 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, the financial statements of Zion Hill Community Development Corporation ("ZHCDC"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise ZHCDC's basic financial statements, and have issued our report thereon dated June 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ZHCDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ZHCDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the ZHCDC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ZHCDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PJC Group, LLC

Atlanta, Georgia
June 10, 2019