

ZION HILL COMMUNITY DEVELOPMENT CORPORATION

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

DECEMBER 31, 2020 AND 2019

ZION HILL COMMUNITY DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 September 18, 2020 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.

RJC Group, LLC

Atlanta, Georgia
September 23, 2021

ZION HILL COMMUNITY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash	\$ 23,226	\$ 22,924
Accounts Receivable	-	67,500
Employee Advances	1,500	1,500
	<hr/>	<hr/>
TOTAL ASSETS	\$ 24,726	\$ 91,924
	<hr/> <hr/>	<hr/> <hr/>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts Payable	\$ 22,000	\$ 24,904
Deferred Revenue (Note 5)	101,854	-
EIDL Loan (Note 4)	150,000	-
	<hr/>	<hr/>
TOTAL LIABILITIES	273,854	24,904
Net Assets		
Without Donor Restrictions	(249,130)	67,020
With Donor Restrictions	-	-
	<hr/>	<hr/>
Total Net Assets	(249,130)	67,020
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 24,726	\$ 91,924
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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, 2020

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>2020</u>
<u>REVENUE AND SUPPORT</u>			
Contributions- Church	\$ 100,000	\$ -	\$ 100,000
Grants	-	-	-
Other Support	349,718	-	349,718
Net assets released from restriction:			
Satisfaction of program restrictions	-	-	-
TOTAL REVENUE AND OTHER SUPPORT	449,718	-	449,718
<u>EXPENSES</u>			
Program Services	674,915	-	674,915
Management and General	67,557	-	67,557
Fundraising	23,396	-	23,396
TOTAL EXPENSES	765,868	-	765,868
Change in Net Assets	(316,150)	-	(316,150)
Net assets beginning of year	67,020	-	67,020
Net assets at end of year	<u>\$ (249,130)</u>	<u>\$ -</u>	<u>\$ (249,130)</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, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>2019</u>
<u>REVENUE AND SUPPORT</u>			
Contributions- Church	\$ 200,000	\$ -	\$ 200,000
Grants	-	1,217,918	1,217,918
Other Support	108,300	-	108,300
Net assets released from restriction:			
Satisfaction of program restrictions	1,217,918	(1,217,918)	-
TOTAL REVENUE AND OTHER SUPPORT	1,526,218	-	1,526,218
<u>EXPENSES</u>			
Program Services	1,382,682	-	1,382,682
Management and General	107,797	-	107,797
Fundraising	4,493	-	4,493
TOTAL EXPENSES	1,494,972	-	1,494,972
Change in Net Assets	31,246	-	31,246
Net assets beginning of year	35,774	-	35,774
Net assets at end of year	<u>\$ 67,020</u>	<u>\$ -</u>	<u>\$ 67,020</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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (316,150)	\$ 31,246
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (Increase) in accounts receivable	67,500	(65,000)
(Decrease) Increase in accounts payable	(2,904)	24,904
Increase in deferred revenue	101,854	-
Net cash (used in) provided by operating activities	(149,700)	(8,850)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in EIDL loan	150,000	-
Net cash provided by financing activities	150,000	-
Net (decrease) increase in cash	300	(8,850)
Cash - beginning of year	22,924	31,774
Cash - end of year	\$ 23,226	\$ 22,924

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

ZION HILL COMMUNITY DEVELOPMENT CORPORATION

**Statement of Functional Expenses
For The Year ended December 31, 2020**

	Program Services	Management and General	Fundraising	Total
Expenses				
Salaries and wages	\$ 56,659	\$ 14,174	\$ -	\$ 70,833
Payroll taxes	8,285	-	-	8,285
Other employee benefits	55,214	3,655	-	58,869
Contract Labor	116,861	-	7,350	124,211
Emergency Shelter	8,178	-	-	8,178
Rent and utilities	72,022	-	-	72,022
Marta and gas cards	68	-	-	68
Alarm and Security	785	-	-	785
Insurance expense	-	23,032	-	23,032
Furniture expense	58	-	-	58
Janitorial	4,092	-	-	4,092
Miscellaneous expense	1,077	12,727	-	13,804
Office expense	6,187	8,675	-	14,862
Prevention	223,988	22	-	224,010
Telephone expense	5,501	5,140	-	10,641
Food costs	-	-	-	-
Computer expense	331	-	-	331
Rapid Rehousing	19,759	-	-	19,759
Supplies expense	-	-	-	-
Travel	73	-	-	73
Web services expense	4,694	132	-	4,826
Fundraising expenses	-	-	16,046	16,046
Z House expenses	86,416	-	-	86,416
Program expenses	4,667	-	-	4,667
Total expenses	\$ 674,915	\$ 67,557	\$ 23,396	\$ 765,868

See accompanying notes to financial statements.

ZION HILL COMMUNITY DEVELOPMENT CORPORATION

**Statement of Functional Expenses
For The Year ended December 31, 2019**

Expenses	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 268,127	\$ 9,547	\$ -	\$ 277,674
Payroll taxes	23,663	1,020	-	24,683
Other employee benefits	67,036	11,107	-	78,143
Contract Labor	110,789	56,800	-	167,589
Emergency shelter	14,365	-	-	14,365
Rent and utilities	504,614	-	-	504,614
Marta and gas cards	2,720	-	-	2,720
Alarm and Security	2,007	-	-	2,007
Incentives	25,945	-	-	25,945
Insurance expense	15,698	-	-	15,698
Furniture expense	44,323	-	-	44,323
Jantorial	6,038	-	-	6,038
Miscellaneous expense	13,657	509	-	14,166
Office expense	26,370	7,692	-	34,062
Prevention	51,410	-	-	51,410
Telephone expense	3,972	7,594	-	11,566
Food costs	10,602	54	-	10,656
Computer expense	961	-	-	961
Rapid Rehousing	67,434	-	-	67,434
Supplies expense	6,027	-	-	6,027
Travel	1,910	-	-	1,910
Web services expense	1,049	13,128	-	14,177
Fundraising expenses	-	-	4,493	4,493
Z House expenses	94,126	-	-	94,126
Program Expenses	19,839	346	-	20,185
Total expenses	\$ 1,382,682	\$ 107,797	\$ 4,493	\$ 1,494,972

See accompanying notes to financial statements.

ZION HILL COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 – ORGANIZATION

Zion Hill Community Development Corporation (“the Organization”) was formed to endeavor to eradicate homelessness and poverty in the Metropolitan Atlanta area, with a focus on South Fulton, through financial assistance, education, housing, and supportive services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The organization prepares its financial statements using the accrual basis of accounting and U.S. GAAP.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

a) Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

b) Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

When a donor’s restrictions is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

ZION HILL COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONT.)

Expense Recognition and Allocation

The cost of providing the organization’s programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly. Costs common to multiple functions have been allocated among the various functions.

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. The Organization believes more likely than not, that its exempt position will be sustained if examined by the authorities.

Use of Estimates

The preparation of financial statements requires the use of management’s estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. The organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

NOTE 3 – LIQUIDITY and AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31 are:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 23,226	\$ 22,924
Accounts receivable	-	67,500
Employee advances	<u>1,500</u>	<u>1,500</u>
Amount available for within one year	<u>\$ 24,726</u>	<u>\$ 91,924</u>

**ZION HILL COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4- NOTE PAYABLE

Note payable at December 31, 2020, is as follows:

EIDL loan payable to the U.S. Small Business Administration in the amount of \$150,000. Due May 25, 2050, fixed interest rate of 2.75% payable in monthly principal and interest payments of \$641.00 beginning May 25, 2021 \$ 150,000

Future minimum payments are as follows:

2021	\$ 2,397
2022	3,679
2023	3,782
2024	3,887
2025	3,995
Thereafter	<u>\$ 132,260</u>
	<u>\$ 150,000</u>

NOTE 5- DEFERRED REVENUE

In early 2020 an outbreak of the novel strain of Coronavirus (COVID-19) emerged Globally, On March 27, 2020 in response to the pandemic, the President signed into law the Coronavirus Aid Relief and Economic Security Act (CARES).

The Organization applied for and received a \$ 101,854 PPP loan. The organization has accounted for the loan in the statement of financial position as deferred revenue.

NOTE 6- RELATED PARTY

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

NOTE 7- SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 23, 2021, 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 Directors
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, 2020, and the related notes to the financial statements, which collectively comprise ZHCDC's basic financial statements, and have issued our report thereon dated September 23, 2021

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.

RJC Group, LLC

Atlanta, Georgia
September 23, 2021