

# **Northside Economic Opportunity Network**

Minneapolis, Minnesota

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Combined Financial Statements

Auditor's Report

For the Years Ended

December 31, 2020 and 2019



CERTIFIED PUBLIC ACCOUNTANTS

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### Independent Auditor's Report

Board of Directors  
Northside Economic Opportunity Network  
Minneapolis, Minnesota

We have audited the accompanying combined financial statements of Northside Economic Opportunity Network, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expense, 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. Those standards require that we plan and perform the audits to obtain reasonable assurance that the financial statements are free of 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Northside Economic Opportunity Network 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.

*Carpenter Evert & Associates, Ltd.*

Certified Public Accountants

Minneapolis, Minnesota  
June 24, 2021

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and Contributions	\$ 1,695,641	\$ 1,807,500	\$ 3,503,141	\$ 811,429	\$ 338,750	\$ 1,150,179
Program Fees	227,383	-	227,383	99,321	-	99,321
Sales	124,417	-	124,417	86,274	-	86,274
Interest and Other Income	5,009	-	5,009	8	-	8
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	606,581	(606,581)	-	317,000	(317,000)	-
Satisfaction of Time Restrictions	275,000	(275,000)	-	-	-	-
Total Support and Revenue	2,934,031	925,919	3,859,950	1,314,032	21,750	1,335,782
Expense:						
Program Services	1,175,814	-	1,175,814	911,186	-	911,186
Support Services:						
Management and General	268,656	-	268,656	228,351	-	228,351
Fundraising	203,335	-	203,335	143,012	-	143,012
Total Support Services	471,991	-	471,991	371,363	-	371,363
Total Expense	1,647,805	-	1,647,805	1,282,549	-	1,282,549
Change in Net Assets	1,286,226	925,919	2,212,145	31,483	21,750	53,233
Net Assets - Beginning of Year	77,941	309,749	387,690	46,458	287,999	334,457
Net Assets - End of Year	<u>\$ 1,364,167</u>	<u>\$ 1,235,668</u>	<u>\$ 2,599,835</u>	<u>\$ 77,941</u>	<u>\$ 309,749</u>	<u>\$ 387,690</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
COMBINED STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020				2019	
	Support Services				Total All Services	Total All Services
	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salary and Wages	\$ 416,277	\$ 83,143	\$ 46,883	\$ 130,026	\$ 546,303	\$ 574,415
Benefits	40,542	8,327	4,687	13,014	53,556	67,290
Payroll Taxes	34,307	7,046	3,962	11,008	45,315	51,832
Total Personnel Costs	491,126	98,516	55,532	154,048	645,174	693,537
Grants to Businesses	341,046	-	-	-	341,046	-
Professional Fees	61,551	106,363	141,342	247,705	309,256	259,475
Occupancy	146,744	10,271	4,936	15,207	161,951	153,756
Office Expense	63,875	38,302	1,377	39,679	103,554	79,538
Other Expense	19,847	14,623	-	14,623	34,470	27,428
Telecommunication	3,603	187	148	335	3,938	7,195
Staff and Volunteer	2,318	342	-	342	2,660	13,657
Transportation	-	52	-	52	52	1,180
Depreciation	45,704	-	-	-	45,704	46,783
Total Expense	<u>\$ 1,175,814</u>	<u>\$ 268,656</u>	<u>\$ 203,335</u>	<u>\$ 471,991</u>	<u>\$ 1,647,805</u>	<u>\$ 1,282,549</u>

The accompanying Notes to Financial Statements  
 are an integral part of this statement.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
COMBINED STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Salaries	\$ 428,999	\$ 90,960	\$ 54,456	\$ 145,416	\$ 574,415
Employee Benefits	44,259	17,746	5,285	23,031	67,290
Payroll Taxes	39,500	7,323	5,009	12,332	51,832
Total Personnel Costs	512,758	116,029	64,750	180,779	693,537
Professional Fees	119,449	70,537	69,489	140,026	259,475
Occupancy	140,540	6,942	6,274	13,216	153,756
Office Expense	58,240	18,990	2,308	21,298	79,538
Other Expense	14,271	13,157	-	13,157	27,428
Telecommunication	4,919	2,099	177	2,276	7,195
Staff and Volunteer	13,422	221	14	235	13,657
Transportation	804	376	-	376	1,180
Depreciation	46,783	-	-	-	46,783
Total Expense	<u>\$ 911,186</u>	<u>\$ 228,351</u>	<u>\$ 143,012</u>	<u>\$ 371,363</u>	<u>\$ 1,282,549</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 2,814,942	\$ 83,436
Grants Receivable	371,582	368,174
Accounts Receivable - Net	41,512	15,036
Prepaid Expense	7,874	5,415
Total Current Assets	<u>3,235,910</u>	<u>472,061</u>
 Grants Receivable	 61,000	 -
Loans Receivable	645,361	5,000
Property and Equipment - Net	<u>42,161</u>	<u>89,398</u>
 TOTAL ASSETS	 <u><u>\$ 3,984,432</u></u>	 <u><u>\$ 566,459</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 571,084	\$ 42,220
Notes Payable	26,372	105,036
Accrued Salaries and Vacation	13,723	31,013
Deferred Revenue	-	500
Total Current Liabilities	<u>611,179</u>	<u>178,769</u>
 Long-term Liabilities:		
Notes Payable	<u>773,418</u>	<u>-</u>
Total Liabilities	<u>1,384,597</u>	<u>178,769</u>
 Net Assets:		
Without Donor Restrictions:		
Designated	60,000	60,000
Undesignated	1,304,167	17,941
Total Without Donor Restrictions	<u>1,364,167</u>	<u>77,941</u>
With Donor Restrictions	<u>1,235,668</u>	<u>309,749</u>
Total Net Assets	<u>2,599,835</u>	<u>387,690</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 3,984,432</u></u>	 <u><u>\$ 566,459</u></u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
 COMBINED STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 2,212,145	\$ 53,233
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	45,704	46,783
(Gain) Loss on Disposal of Property and Equipment	(3,288)	-
Grants Receivable	(61,000)	-
Decreases (Increases) in Current Assets:		
Grants Receivable	(3,408)	(86,275)
Accounts Receivable	(26,476)	25,134
Prepaid Expense	(2,459)	1,767
Increases (Decreases) in Current Liabilities:		
Accounts Payable	528,864	19,727
Accrued Salaries and Vacation	(17,290)	4,259
Deferred Revenue	(500)	(4,500)
Net Cash Provided by Operating Activities	<u>2,672,292</u>	<u>60,128</u>
Cash Flows from Investing Activities:		
Issuance of Loans Receivable	(640,361)	-
Purchases of Property and Equipment	(3,929)	(3,213)
Proceeds from Sale of Property and Equipment	8,750	-
Net Cash Provided (Used) by Investing Activities	<u>(635,540)</u>	<u>(3,213)</u>
Cash Flows from Financing Activities:		
Proceeds from Issuance of Notes Payable	814,187	119,734
Principal Payments on Notes Payable	(119,433)	(173,195)
Net Cash Provided (Used) by Financing Activities	<u>694,754</u>	<u>(53,461)</u>
Net Increase in Cash	2,731,506	3,454
Cash - Beginning of Year	<u>83,436</u>	<u>79,982</u>
Cash - End of Year	<u><u>\$ 2,814,942</u></u>	<u><u>\$ 83,436</u></u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid For:		
Interest	<u><u>\$ 6,396</u></u>	<u><u>\$ 6,187</u></u>

The accompanying Notes to Financial Statements  
 are an integral part of these statements.



NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies

Basis of Combination

The combined financial statements of Northside Economic Opportunity Network (NEON) include the accounts of NEON Property Maintenance LLC. NEON is the sole member of NEON Property Maintenance LLC which was founded May 18, 2016. All material inter-organizational transactions have been eliminated.

Organizational Purpose

NEON is a North Minneapolis community-based organization whose mission is to expand economic opportunities and build wealth for North Minneapolis residents through creation, growth, and development of small businesses in the North Minneapolis area. NEON works collaboratively with partner organizations to pursue these primary strategies: entrepreneur training, credit building, small business financing, microlending, business siting, technical assistance and support, and youth training. NEON's staff pursues these strategies directly through supporting activities which include community outreach, program administration, fundraising, collaborative efforts and support for commercial real estate development in the region. NEON's vision is to help create a prosperous sustainable North Minneapolis in collaboration with others, provide a wide array of services that raise the quality of life for North Minneapolis residents by creating and expanding economic opportunities for residents who start, own and operate those businesses.

Net Assets

Net Assets, revenues, gains, and losses are classified based on the existence or absence of donor-or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-or grantor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. NEON reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Property and Equipment

All major expenditures over \$2,500 for property and equipment are capitalized at cost. Contributed furniture and equipment is recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition

NEON recognizes revenue from program fees and sales when the performance obligations of services provided are met. Amounts received in advance of a service being performed are recorded as deferred revenue.

Grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the condition they depend have been substantially met.

A portion of the revenue is derived from cost-reimbursement federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when NEON has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position. NEON received cost-reimbursable grants of \$39,966 and \$22,450 that have not be recognized at December 31, 2020 and 2019 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the contracts and grants.

In-kind Contributions and Services

In-kind contributions and services are recorded at the fair market value of the services provided based on the number of hours of service provided, or fair market value of equipment provided.

Accounts Receivable and Doubtful Accounts

Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and NEON does not charge interest on accounts receivable balances. NEON reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. The allowance for doubtful accounts is \$43,729 and \$17,620 as of December 31, 2020 and 2019, respectively.

Promises-To-Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. No allowance for doubtful accounts has been provided as grants receivable are considered collectable.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

Loans Receivable

Loans receivable are carried at unpaid principal balances, less an allowance for loan losses and net deferred loan fees and unearned discounts. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on NEON's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. NEON's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Income Tax

NEON has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. NEON's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. NEON continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, NEON annually files a Return of Organization Exempt From Income Tax (Form 990).

Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

NEON has evaluated the effect that subsequent events would have on the financial statements through June 24, 2021, which is the date financial statements were available to be issued.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

2. Uncertainties and Contingencies

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary suspension of operations. While many of the closings have re-opened, there is still uncertainties if there will be future disruptions due to additional outbreaks. Therefore, NEON expects this matter may impact its operating results, but reasonable estimates cannot be made at this time.

3. Significant Concentrations of Credit Risk

NEON provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payors, substantially all of whom are local residents. In addition, grants and contributions receivable are from local residents, governments or institutions.

4. Liquidity and Availability

The following represents NEON's financial assets as of:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Current Financial Assets:		
Cash	\$ 2,814,942	\$ 83,436
Grants Receivable	432,582	368,174
Accounts Receivable	<u>41,512</u>	<u>15,036</u>
Total Current Financial Assets	3,289,036	466,646
Less: Assets not available to be used within one year:		
Net Assets With Donor Restrictions	1,235,668	309,749
Board Designated Reserve	60,000	60,000
Net Assets With Restrictions to be met within a year	<u>(1,174,668)</u>	<u>(309,749)</u>
Total Assets not available to be used within one year	<u>121,000</u>	<u>60,000</u>
Financial Assets Available for General Expenditures		
Within One Year	<u>\$ 3,168,036</u>	<u>\$ 406,646</u>

NEON has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

The board-designated reserve is not considered available for use within one year, but these amounts could be made available if necessary by board action.

As part of the NEON's liquidity plan, there is a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

5. Grants Receivable

The balances of grants receivable are due as follows:

<u>Due in the Year Ending December 31,</u>	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
2020	\$ -	\$ 368,174
2021	371,582	-
2022	61,000	-
Total Grants Receivable	432,582	368,174
Less Short Term Portion	371,582	368,174
Long Term Portion	<u>\$ 61,000</u>	<u>\$ 368,174</u>

All grants receivable are considered collectable.

6. Property and Equipment

NEON owned the following as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2020</u>	<u>2019</u>	
Leasehold Improvements	\$ 205,401	\$ 205,401	5 years
Furniture and Equipment	24,563	38,673	3-5 years
	229,964	244,074	
Less Accumulated Depreciation	187,803	154,676	
	<u>\$ 42,161</u>	<u>\$ 89,398</u>	

Depreciation expense of \$45,704 and \$46,783 was recorded for the year ended December 31, 2020 and 2019, respectively.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Capacity Development/Staffing Needs	\$ 450,000	\$ -
Grants to Businesses	242,292	-
Technical Assistance	177,858	20,924
Small Business Loans	150,000	-
Food Incubator Program	41,367	11,700
Commercial Real Estate Survey	2,151	-
CRM/IT	-	2,125
Subject to passage of time:		
Future Years General Operations	172,000	275,000
	<u>\$ 1,235,668</u>	<u>\$ 309,749</u>

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

8. Designated Net Assets

The Board of Directors made the following net asset designations as of:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating Reserve	<u>\$ 60,000</u>	<u>\$ 60,000</u>

9. Notes Payable

The breakdown of notes payable is as follows:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest free note payable to State of Minnesota related to the Small Business Emergency Loan Program. The note is due on January 5, 2022 and secured by loans receivable.	\$ 641,890	\$ -
PPP Loan – see note 11.	131,528	-
6.5% note payable to Propel Nonprofits. Payments of \$10,222 that includes principal and interest are due monthly until March 16, 2020. The note was paid off in March 2020. The note is secured by NEON's assets.	-	30,036
6.5% note payable to Propel Nonprofits. Payments of \$10,000 are that includes principal and interest are due monthly until March 2, 2021 when any remaining principal and accrued interest is due. The note is secured by NEON's assets.	21,372	50,000
Interest free note payable to the Local Initiatives Support Corporation. The note is due on demand and secured by NEON's assets.	5,000	25,000
	<u>799,790</u>	<u>105,036</u>
Less Portion Due Within One (1) Year	<u>26,372</u>	<u>105,036</u>
Long-term Portion	<u>\$ 773,418</u>	<u>\$ -</u>

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2021	\$ 26,372
2022	<u>773,418</u>
Total	<u>\$ 799,790</u>

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

10. Loan Receivable

Loans receivable are as follows as of:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Various loans to business with original loan amounts ranging from \$5,000 to \$35,000. Payments are due monthly.	\$ 645,361	\$ 5,000
Less Allowance for Loan Losses	-	-
Net Loans Receivable	<u>\$ 645,361</u>	<u>\$ 5,000</u>

For the loan receivable, the allowance for loan losses is established through a provision for loan losses charged to expense. Accrued interest is charged against the allowance for loan losses on an annual basis.

11. PPP Loan

On April 14, 2020, NEON received a loan (the "Loan") from the Bremer Bank, NA in the aggregate amount of \$130,600, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020.

The Loan, which was in the form of a Note dated April 14, 2020 issued by the Borrower, matures on April 14, 2022 and bears interest at a rate of 1% per annum, originally payable monthly commencing on November 14, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties.

The payment terms on all PPP loans changed with the signing of the Flexibility Act on June 5, 2020, and payments are now deferred for 10 months after the borrower's covered period, i.e. either 12 or 16 months from origination. In addition, if a borrower applies for forgiveness before the end of the 10 month deferral period, then payments continue to defer until a decision on the forgiveness is returned from the Bremer Bank, NA.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In accordance with these Loan forgiveness terms, funds from the Loan were used by the NEON for payroll costs, group health care and retirement benefits.

NEON has elected to carry the Loan as debt on its statement of financial as of December 31, 2020 per FASB ASC 470. The balance as of December 31, 2020 includes accrued interest.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

12. Leased Facilities and Equipment

Rental commitments under noncancelable leases for office space and equipment in effect at December 31, 2020, total \$85,275. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2021	\$ 60,572
2022	<u>24,703</u>
Total	<u>\$ 85,275</u>

Rental expense was \$150,153 and \$141,553 for the years ending December 31, 2020 and 2019, respectively.