



ANIL MALHOTRA & CO LTD

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AUDITOR'S REPORT

Prepared for

**NORTH SOUTH FOUNDATION
(An Illinois Not for profit Organization)**

For the Period ended

APRIL 30, 2020

Table of Contents

Audited Financial Statements

Year ended April 30, 2020

<u>Particulars</u>	<u>Page No</u>
1. Independent Auditor's Report	1-2
2. Statement of Financial Position	3
3. Statement of Activities	4
4. Statement of Functional Expenses	5
5. Statement of Cash Flows	6
6. Notes to Financial Statements	7-10



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Independent Auditor's Report

The Board of Directors
North South Foundation
2 Marissa Court
Burr Ridge, Illinois 60527

Report on Financial Statements:

We have audited the accompanying financial statements of North South Foundation which comprises the statement of financial position arising from cash transactions of North South Foundation as of April 30, 2020, the related statements of activities, functional expenses, 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 the cash basis of accounting described in Note 2, this includes determining the cash basis of accounting is an acceptable basis for the presentation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements or not.

An audit involves performing the 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 misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to foundation'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 organization'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 read with notes 1 to 10 thereon present fairly, in all material respects, the financial position arising from cash transactions of North South Foundation, as of April 30, 2020, the changes in its net assets and its cash flows for the years then ended in accordance with the cash basis of accounting described in Note 2.

Emphasis of Matter:

As described in Note 2, these financial statements have been prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Our opinion is not modified with respect to these matters.



Nilesh Topiwala, CPA
License No: 065.022555

December 15, 2020

North South Foundation
Statement of Financial Position
April 30, 2020
(with comparative totals for 2019)

ASSETS	2020			2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Current Assets					
Cash and Cash Equivalents	Note 3	\$ 2,126,317	\$ 8,137	\$ 2,134,454	\$ 1,998,029
Total Current Assets		2,126,317	8,137	2,134,454	1,998,029
Investment in Marketable Securities	Note 4	7,667,909	2,219,279	9,887,188	9,490,639
TOTAL ASSETS		\$ 9,794,226	\$ 2,227,416	\$ 12,021,642	\$ 11,488,668
LIABILITIES AND NET ASSETS					
Liabilities		-	-	-	-
Net Assets					
Without Donor Restrictions:					
General Operations		\$ 6,194,226	-	\$ 6,194,226	\$ 5,775,544
Designated by the Board of Directors:					
Program obligation reserves	Note 2	3,000,000	-	3,000,000	\$ 3,000,000
Working Capital Operating Reserves	Note 2	600,000	-	600,000	\$ 600,000
Without Donor Restrictions		9,794,226	-	9,794,226	9,375,544
With Donor Restrictions:					
Program Restriction Funds	Note 5	-	1,936,352	1,936,352	1,803,461
Endowment Fund	Note 5	-	291,064	291,064	309,663
With Donor Restrictions		-	2,227,416	2,227,416	2,113,124
Total Net Assets		9,794,226	2,227,416	12,021,642	11,488,668
Total LIABILITIES AND NET ASSETS		\$ 9,794,226	\$ 2,227,416	\$ 12,021,642	\$ 11,488,668

The accompanying notes are an integral part of these statements.

North South Foundation
Statement of Activities
Year Ended April 30, 2020
(with comparative totals for 2019)

		2020		2019	
		Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Other Revenue					
Public Support:					
Public Support - Direct	Note 2	\$ 217,290	\$ 158,696	\$ 375,986	\$ 268,428
Public Support - Indirect	Note 2	872,986		872,986	916,480
Total Public Support Revenue		<u>\$ 1,090,276</u>	<u>\$ 158,696</u>	<u>\$ 1,248,972</u>	<u>\$ 1,184,908</u>
Program Service Revenue:					
Educational Contest & Workshop	Note 2	\$ 436,493		\$ 436,493	\$ 458,240
Meals and Educational Material	Note 2	66,492		66,492	54,510
Total Program Service Revenue		<u>\$ 502,985</u>	<u>\$ -</u>	<u>\$ 502,985</u>	<u>\$ 512,750</u>
Net Investment return	Note 6	\$ 259,276	\$ 80,979	\$ 340,255	\$ 329,717
Net assets released from restrictions	Note 5	\$ 125,383	\$ (125,383)	\$ -	\$ -
Total Public Support and Other Revenues		<u>\$ 1,977,920</u>	<u>\$ 114,292</u>	<u>\$ 2,092,212</u>	<u>\$ 2,027,375</u>
Distributions and Expenses					
Grants and Distributions	Note 7	\$ 1,125,583	\$ -	\$ 1,125,583	\$ 600,300
Functional Expenses:					
Program Services		429,280	-	429,280	378,237
Management and General		4,375	-	4,375	3,258
Total Functional Expenses		<u>433,655</u>	<u>-</u>	<u>433,655</u>	<u>381,495</u>
Total Distributions and Expenses		<u>\$ 1,559,238</u>	<u>\$ -</u>	<u>\$ 1,559,238</u>	<u>\$ 981,795</u>
Change in Net assets		<u>\$ 418,682</u>	<u>\$ 114,292</u>	<u>\$ 532,974</u>	<u>\$ 1,045,580</u>
Net assets at beginning of year		9,375,544	2,113,124	11,488,668	10,443,088
Net assets at end of year		<u>\$ 9,794,226</u>	<u>\$ 2,227,416</u>	<u>\$ 12,021,642</u>	<u>\$ 11,488,668</u>

The accompanying notes are an integral part of these statements.

North South Foundation
Statement of Functional Expenses
Year Ended April 30, 2020
(with comparative totals for 2019)

Functional Expenses	2020			2019
	Program Services	Management & General	Total	Total
Salaries & Related Expenses	-	-	\$ -	\$ -
Contract Services Expenses:				
Accounting Fees		\$ 3,500	\$ 3,500	\$ 3,000
Outside Contract Services	\$ 20,571		\$ 20,571	\$ 17,911
Total Contract Services Expenses	\$ 20,571	\$ 3,500	\$ 24,071	\$ 20,911
Operations Expenses:				
Supplies	\$ 26,215		\$ 26,215	\$ 15,836
Postage & Mailing Service	490		490	4,061
Printing and Copying	28,870	350	29,220	28,533
Telephone	152		152	1,008
Trophies & Medals	33,727		33,727	23,593
Event Meals	48,073		48,073	54,968
Education Material for sale	18,051		18,051	8,026
Total Operations Expenses	\$ 155,578	\$ 350	\$ 155,928	\$ 136,026
Facility & Equipment Expenses:				
Rent - Real Estate	\$ 74,914		\$ 74,914	\$ 86,358
Rent - Furniture & Equipment	11,201		11,201	1,535
Total Facility & Equipment Expenses	\$ 86,114	\$ -	\$ 86,114	\$ 87,892
Travel Expenses:				
Airfare	\$ 11,380		\$ 11,380	\$ 28,203
Hotels and Car rentals	11,233		11,233	13,345
Total Travel Expenses	\$ 22,613	\$ -	\$ 22,613	\$ 41,548
Other Expenses:				
Bank and credit card fees	\$ 32,335	510	\$ 32,845	\$ 34,596
Insurance	3,439		3,439	2,909
Outside Computer Services	87,645		87,645	44,184
Other Business Expenses	20,985	15	21,000	13,428
Total Other Expenses	\$ 144,403	\$ 525	\$ 144,928	\$ 95,117
Total Functional Expenses	\$ 429,280	\$ 4,375	\$ 433,655	\$ 381,495

The accompanying notes are an integral part of these statements.

North South Foundation
Statements of Cash Flows
Year Ended April 30, 2020
(with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 532,974	\$ 1,045,580
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized Investment Gain	\$ (8,759)	\$ (6,182)
Contributions restricted for endowment	\$ -	\$ (8,450)
Net cash provided by operating activities	<u>\$ 524,215</u>	<u>1,030,948</u>
Cash flows from investment activities		
Investments in Securities	\$ (387,790)	\$ (309,330)
Net cash used by investment activities	<u>\$ (387,790)</u>	<u>\$ (309,330)</u>
Cash flows from financing activities		
Contributions restricted for endowments	\$ -	8,450
Net cash provided by financing activities	<u>\$ -</u>	<u>8,450</u>
Net change in cash and cash equivalents	\$ 136,425	730,068
Cash and cash equivalents, beginning of year	\$ 1,998,029	1,267,961
Cash and cash equivalents, end of year	<u><u>\$ 2,134,454</u></u>	<u><u>\$ 1,998,029</u></u>

The accompanying notes are an integral part of these statements.

North South Foundation
Notes to Financial Statements
Year Ended April 30, 2020

Note 1 - Nature of Organization

North South Foundation (NorthSouth) was founded in 1989 to operate exclusively for charitable and educational purposes, or such other purposes as may be provided in section 501(c)(3) of the Internal Revenue Code.

NorthSouth strives to empower every child to achieve their maximum potential by (1) providing education scholarships and resources to needy children (2) empowering every child to excel in education and to be an empathetic holistic leader and (3) providing a platform for volunteers to support the community.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, revenues and related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred.

The financial position and activities reported are based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without Donor Restriction - Net assets available for general use and not subject to Donor restrictions. The board has designated from net assets without donor restrictions, net assets for specific purposes.

Net assets with Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature and other are perpetual in nature.

New Accounting Pronouncement Applied

North South Foundation adopted Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities.

The financial statement standard addresses the complexity and understandability of net asset classification deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses, evolving to two net asset classes from what had previously been there and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which did not have a material effect on the financial statements."

Fair Value Measurements

NorthSouth reports investments in marketable securities on a cost basis. As a result, unrealized gains and losses are not recognized and reported.

Use of Estimates

Management has not made any estimates in preparation of financial statements for the year ended April 30, 2020 and April 30, 2019 respectively in accordance with cash basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid investments in money market accounts. NorthSouth maintains its cash in accounts that, at times, may exceed federally insured limits. NorthSouth has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments are carried at cost in accordance with cash basis of accounting. Net investment return is reported in the statement of activities and consists of interest and dividend income, and realized capital gains. There were no investment expenses.

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains and losses on investments are reported as increases or decreases in net assets based on the type of restriction on the underlying asset. Expirations of donor imposed restrictions on net assets are reported as "net assets released from restriction" between the classes of net assets.

Valuation of non cash contributions

NorthSouth values non cash contribution by donors at the market value on the date of the contribution.

Donor contributions and Donor Designations

Revenues are generated from direct public contributions and from an activity registration fees. Direct public support is considered net assets without donor restriction, unless the donor imposes a restriction.

NorthSouth allocates two thirds of registration fees received from educational contests, coaching and workshops as indirect public support charitable contributions and treats the remaining one-third as program service revenue. All payments received for educational materials and meals are considered program service revenue. All revenues from contests, coaching and workshops are net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities, and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function.

Board-Designated Net Assets

This net asset consists of two components. First component is a corpus fund in the amount of \$3M to account for the liability NorthSouth has towards the current scholarship holders for the duration of their study until graduation. Second component is a contingency fund in the amount of \$600,000 to cover any shortfalls in the working capital needs.

Tax Status

NorthSouth is recognized by the Internal Revenue Service as a tax-exempt organization under section 501(c)(3) of the code and is generally exempt from federal and state income taxes on related income. As such, no provision for income taxes is included in the financial statements.

Note 3 - Liquidity and Availability

NorthSouth regularly monitors liquidity to meet its operating needs and other contractual commitments. The primary source of liquidity is the cash and cash equivalent which covers the annual expenses. Breakdown by account is as follows:

	<u>30-Apr-20</u>	<u>30-Apr-19</u>
General Bank Account	192,524	289,988
Educational Contests Bank Account	109,933	28,236
Educational Materials Bank Account	50,630	38,754
General Money Market Account	1,760,173	1,611,420
Scholarship Money Market Account	17,418	5,893
Donor Advised Money Market Account	2,817	22,779
Endowment Money Market Account	959	959
Total	<u>2,134,454</u>	<u>1,998,029</u>

Note 4 - Investments and Fair value Measurements

Investment in marketable securities consists mainly of mutual funds and ETFs. Market value is based on readily available prices. Breakdown by account is as follows:

	(April 30, 2020)		(April 30, 2019)	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Donor Advised Account	1,842,865	2,397,203	1,677,180	2,211,159
Endowment Account	492,734	603,488	476,159	597,690
Scholarship Account	219,524	256,487	224,424	274,075
General Account	7,332,065	8,122,902	7,112,876	7,953,082
Total	<u>9,887,188</u>	<u>11,380,079</u>	<u>9,490,639</u>	<u>11,036,006</u>

NorthSouth does not recognize unrealized gain or loss on market value of its investments consistent with the cash basis of accounting. As such, no provision for unrealized gain of \$1,492,891 as of April 30, 2020 and the unrealized gain of \$1,545,367 as of April 30, 2019 is reflected in the financial statements.

Note 5 - Net Assets, Donor Restricted and Endowment Fund

Net Assets with donor restriction - Donor Advised Fund (DAF)

This is a restricted fund managed by NorthSouth as a fiduciary and complies with the directives of the donors. NorthSouth makes disbursements to charities based on donor recommendations provided the recipients meet necessary guidelines.

	FY 2019-20	FY 2018-19
Net Assets - Beginning of the year	1,699,959	1,583,673
Contributions Restricted	92,246	51,427
Investment Income Restricted	80,979	107,359
Distribution/Restriction Released	(27,501)	(42,500)
Net Assets - End of the Year	1,845,683	1,699,959

Net Assets with donor restriction - US Scholarship

This is a restricted fund set up to meet the obligation of the scholarships awarded to the national finals champions each year. NorthSouth started educational contests in 1993. The scholarship is redeemable by the awardees during the freshman year of college and is payable to the awardee through their institutions.

	FY 2019-20	FY 2018-19
Net Assets - Beginning of the year	88,501	98,551
Contributions Restricted	6,500	4,500
Investment Income Restricted'	-	-
Distribution/Restriction Released	(9,333)	(14,550)
Net Assets - End of the Year	85,668	88,501

Net Assets with donor restriction - General

This fund has general contributions where the donor imposed restrictions for a defined purpose.

	FY 2019-20	FY 2018-19
Net Assets - Beginning of the year	15,000	-
Contributions Restricted	59,950	15,000
Investment Income Restricted'	-	-
Distribution/Restriction Released	(69,950)	-
Net Assets - End of the Year	5,000	15,000

Net Assets with donor restrictions - Endowment

This is a restricted fund in which NorthSouth has to maintain the principal in perpetuity and can use the income for expenses in support of programs. Donors contribute set amount with the stipulation that NorthSouth will disburse the income for scholarships and other general use purpose. For example, a donor can currently set up a \$5,000 endowment fund for one scholarship each year in perpetuity.

	FY 2019-20	FY 2018-19
Net Assets - Beginning of the year	309,663	301,213
Contributions Restricted	-	8,450
Investment Income Restricted'	-	-
Distribution/Restriction Released	(18,599)	-
Net Assets - End of the Year	291,064	309,663

Note 6 - Net Investment Return

Breakdown of the Investment Return:

	FY 2019-20	FY 2018-19
Interest	7,572	7,753
Dividend	198,594	170,260
Dividend - Capital Gain Distributions	125,330	145,522
Realized Capital Gains	8,759	6,182
Expenses	-	-
Total Investment Return	340,255	329,717

Note 7 - Grants and Distribution

Breakdown of the Grants and Distribution:

	FY 2019-20	FY 2018-19
1. NSF India	1,000,000	550,000
2. Scholarships in USA	9,333	14,550
3. Other programs in India	90,000	-
4. Other programs in USA	26,250	35,750
Total	<u>1,125,583</u>	<u>600,300</u>

Note 8 - Related party transactions

There are no related party transactions during the year.

Note 9- I Underwater endowments

From time to time, the fair value of assets associated with individual donor – restricted endowment funds may fall below the original contribution value.

As seen from NSF notes to accounts all funds have their market value above their cost price.

As of April 30, 2020 there are no underwater endowment funds that require separate disclosure in financial statements.

Note 10- Subsequent events

Management has performed an analysis of the activities and transactions subsequent to April 30, 2020 to determine the need for any adjustment to and/or disclosures within the audited financial statements for the year ended April 30, 2020. Management has performed their analysis through 11/16/2020 the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic.

The global economy and financial markets have been impacted by the global outbreak as of the date of this report and management continues to monitor conditions. There is considerable uncertainty around the duration and impact it will have on the North South Foundation's operations and financial position. Any financial impact to the North South Foundation cannot be reasonably estimated at this time.