

PRIMO CENTER FOR WOMEN AND CHILDREN

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Primo Center for Women and Children:

Report on the Financial Statements

We have audited the accompanying financial statements of Primo Center for Women and Children (PCWC), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year 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 audit. We conducted our audit 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 audit to obtain reasonable assurance about whether 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 financial statements referred to above present fairly, in all material respects, the financial position of PCWC, as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Primo Center for Women and Children's 2016 financial statements, and our report dated January 17, 2017 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2018 on our consideration of PCWC's internal control over financial reporting and 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Primo Center for Women and Children's internal control over financial reporting and compliance.


DUGAN & LOPATKA

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>A S S E T S</u>		
ASSETS:		
Cash	\$ -	\$ 61,311
Grants receivable, net	383,947	221,579
Employee advances	-	1,191
Prepaid expenses	3,507	19,023
Property and equipment, net	2,010,430	2,159,776
Security deposits - rental	16,667	16,095
	<u> </u>	<u> </u>
Total assets	<u>\$ 2,414,551</u>	<u>\$ 2,478,975</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Cash overdraft	\$ 75,407	\$ -
Accounts payable	185,450	46,201
Accrued expenses	282,853	126,629
Security deposits	5,249	5,249
Line of credit	38,500	38,500
Loans payable (net of deferred financing costs of \$998 and \$1,124 for 2017 and 2016, respectively)	2,014,173	2,058,789
	<u> </u>	<u> </u>
Total liabilities	<u>2,601,632</u>	<u>2,275,368</u>
NET ASSETS:		
Unrestricted	(446,228)	(101,146)
Temporarily restricted	259,147	304,753
	<u> </u>	<u> </u>
Total net assets	<u>(187,081)</u>	<u>203,607</u>
Total liabilities and net assets	<u>\$ 2,414,551</u>	<u>\$ 2,478,975</u>

The accompanying notes are an integral part of this statement.

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30 2017
 (with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
SUPPORT AND REVENUE:				
Support -				
Foundations, corporations and religious community	\$ 1,029,617	\$ 183,344	\$ 1,212,961	\$ 1,228,223
Government grants	1,952,875	-	1,952,875	1,544,108
Individuals	41,511	-	41,511	39,561
Total support	3,024,003	183,344	3,207,347	2,811,892
Revenue -				
Special event, net of expenses of \$131,592 and \$118,675 for 2017 and 2016, respectively)	231,927	-	231,927	307,151
Rental income - permanent housing	19,351	-	19,351	19,427
Debt forgiveness - NSP 2 loan	144,147	-	144,147	144,147
Interest	5	-	5	41
Miscellaneous	17,764	-	17,764	5,987
Total revenue	413,194	-	413,194	476,753
Net assets released from restrictions - Satisfaction of purpose restrictions	228,950	(228,950)	-	-
Total revenue and support	3,666,147	(45,606)	3,620,541	3,288,645
FUNCTIONAL EXPENSES:				
Program	2,937,017	-	2,937,017	2,438,716
Management and general	966,221	-	966,221	739,836
Fundraising	107,991	-	107,991	87,204
Total functional expenses	4,011,229	-	4,011,229	3,265,756
CHANGE IN NET ASSETS	(345,082)	(45,606)	(390,688)	22,889
NET ASSETS, Beginning of year	(101,146)	304,753	203,607	180,718
NET ASSETS, End of year	\$ (446,228)	\$ 259,147	\$ (187,081)	\$ 203,607

The accompanying notes are an integral part of this statement.

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ (390,688)</u>	<u>\$ 22,889</u>
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	164,132	164,517
Non-cash forgiveness of debt	(144,147)	(144,147)
Changes in assets and liabilities:		
(Increase) in grants receivable	(162,368)	(28,365)
Decrease in employee advances	1,191	-
Decrease in prepaid expenses	15,516	34,216
(Increase) in security deposits - rental	(572)	-
Increase in accounts payable and accrued expenses	295,473	5,353
(Decrease) in security deposits	<u>-</u>	<u>(1,000)</u>
Total adjustments	<u>169,225</u>	<u>30,574</u>
Net cash provided by (used in) operating activities	<u>(221,463)</u>	<u>53,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(14,660)</u>	<u>(26,837)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	75,407	-
Proceeds from loans	148,259	-
Payments on debt	<u>(48,854)</u>	<u>(32,891)</u>
Net cash provided by (used in) financing activities	<u>174,812</u>	<u>(32,891)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(61,311)	(6,265)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>61,311</u>	<u>67,576</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ -</u></u>	<u><u>\$ 61,311</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u><u>\$ 27,632</u></u>	<u><u>\$ 7,560</u></u>

The accompanying notes are an integral part of this statement.

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(with comparative totals for 2016)

	Program Services			Total Program Services	Supporting Services	Fundraising	2017 Total	2016 Total
	Interim Housing	Permanent Housing	Community Focus		Management and General			
Salaries and wages	\$ 1,425,721	\$ 271,789	\$ 203,705	\$ 1,901,215	\$ 398,330	\$ 44,977	\$ 2,344,522	\$ 1,896,011
Payroll taxes and benefits	106,199	35,604	12,798	154,601	279,392	31,044	465,037	355,539
Consultants	21,990	-	-	21,990	36,121	4,014	62,125	58,095
Accounting/ audit and payroll fees	2,718	2,214	-	4,932	4,865	540	10,337	18,025
Property management fees	-	98,328	-	98,328	-	-	98,328	92,710
Rent and utilities	285,772	21,114	-	306,886	18,576	2,064	327,526	289,670
Insurance	50,766	17,413	6,995	75,174	25,837	2,871	103,882	41,121
Building maintenance and repair	64,646	40,855	-	105,501	3,042	338	108,881	57,441
Real estate taxes	-	16,394	-	16,394	-	-	16,394	19,946
Office supplies and printing	5,326	2,641	1,197	9,164	8,065	896	18,125	43,095
Program supplies	25,203	-	-	25,203	759	-	25,962	24,182
Food	880	-	-	880	-	-	880	186
Travel	2,476	1,920	946	5,342	5,318	591	11,251	12,921
Furniture and equipment rental and purchase	1,599	-	-	1,599	10,933	1,214	13,746	13,732
Maintenance and repair	5,609	-	-	5,609	5,263	585	11,457	1,270
Communications	21,594	4,255	-	25,849	26,447	2,939	55,235	55,085
Postage and shipping	16	-	-	16	503	55	574	540
Conference and meetings	3,845	1,571	2,760	8,176	46,103	5,123	59,402	43,880
Dues, subscriptions and publications	-	-	-	-	2,874	319	3,193	10,750
Depreciation and amortization	-	137,232	-	137,232	24,210	2,690	164,132	164,517
Bank and credit card fees	-	582	-	582	18,275	2,030	20,887	36,268
Interest	-	-	-	-	24,869	2,763	27,632	7,560
Miscellaneous expense	20,392	11,403	549	32,344	26,439	2,938	61,721	23,212
Total functional expenses	<u>\$ 2,044,752</u>	<u>\$ 663,315</u>	<u>\$ 228,950</u>	<u>\$ 2,937,017</u>	<u>\$ 966,221</u>	<u>\$ 107,991</u>	<u>\$ 4,011,229</u>	<u>\$ 3,265,756</u>

The accompanying notes are an integral part of this statement.

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services	
	Interim Housing	Permanent Housing	Community Focus	Total Program Services	Management and General	Total
Salaries and wages	\$ 1,104,256	\$ 259,700	\$ 193,387	\$ 1,557,343	\$ 338,668	\$ 1,896,011
Payroll taxes and benefits	125,585	29,956	14,371	169,912	185,627	355,539
Consultants	14,800	2,155	-	16,955	41,140	58,095
Accounting/ audit and payroll fees	4,131	2,586	-	6,717	11,308	18,025
Property management fees	-	92,710	-	92,710	-	92,710
Rent and utilities	247,170	23,441	-	270,611	19,059	289,670
Insurance	25,906	6,579	-	32,485	8,636	41,121
Building maintenance and repair	13,604	41,448	-	55,052	2,389	57,441
Real estate taxes	-	19,946	-	19,946	-	19,946
Office supplies and printing	15,942	3,755	4,578	24,275	18,820	43,095
Program supplies	24,182	-	-	24,182	-	24,182
Food	186	-	-	186	-	186
Travel	3,516	983	457	4,956	7,965	12,921
Furniture and equipment rental and purchase	4,970	-	-	4,970	8,762	13,732
Maintenance and repair	223	-	-	223	1,047	1,270
Communications	11,591	3,474	-	15,065	40,020	55,085
Postage and shipping	-	-	-	-	540	540
Conference and meetings	5,601	-	132	5,733	38,147	43,880
Dues, subscriptions and publications	-	345	-	345	10,405	10,750
Depreciation and amortization	-	137,232	-	137,232	27,285	164,517
Bank and credit card fees	-	(1,948)	-	(1,948)	38,216	36,268
Interest	-	-	-	-	7,560	7,560
Development expense	-	-	-	-	-	-
Miscellaneous expense	83	1,533	150	1,766	21,446	23,212
Total functional expenses	<u>\$ 1,601,746</u>	<u>\$ 623,895</u>	<u>\$ 213,075</u>	<u>\$ 2,438,716</u>	<u>\$ 827,040</u>	<u>\$ 3,265,756</u>

The accompanying notes are an integral part of this statement.

PRIMO CENTER FOR WOMEN AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Primo Center for Women and Children (PCWC, f/k/a Urban Family and Community Centers) was established on July 1, 1999, pursuant to the merger of the Urban Center at Saint Barnabas (UC) and Christian Community Services (CCS).

CCS was established in 1978 and UC was established in 1979. UC provided food distribution and job development programs to the homeless and destitute in the area. In 1996, the Organization's programs expanded to include a first stage transitional living shelter for homeless women and children. The shelter was named the Primo Women's Center. CCS provided licensed day care and an after-school program to children residing in the Austin community. Currently, PCWC operates two core programs: a 111 bed interim housing facility for homeless women and children in the Austin community, and a 12-unit permanent supportive housing facility in the Hermosa Community of Chicago. Trauma-informed wraparound services are provided throughout both programs.

PCWC, located at two facilities in the west side of Chicago, provides interim housing and permanent housing for up to 220 children and families. PCWC employs a cadre of clinical staff who, with paraprofessional staff, delivers services in both facilities committed to the highest level of care. The goal of PCWC is to provide comprehensive wraparound services and support in a safe and healthy therapeutic environment. Following an evidenced based practice model, it is also the goal of PCWC to empower women to take charge of their lives by providing assistance with obtaining goals and objectives and working on abuse issues in the family. PCWC's program is designed to assist clients in starting the process of making a successful homeless-to supportive services-to work transition. PCWC provides comprehensive services onsite as well as through collaborative community linkages with other service providers in the community to address the residual effects of homelessness and its impact on the family, such as: substance abuse, mental illness, damaged parent/child relationships, self-esteem issues, and possibly regaining legal custody of children involved in the child welfare system.

These collaborative linkages include referrals for employment, medical care, nutrition education, substance abuse treatment, domestic violence issues, legal and social service advocacy, clothing assistance, financial literacy education, transportation assistance, employment assistance and permanent housing search assistance, structured children's activities, and case management services.

The financial statements were available to be issued on March 26, 2018, with subsequent events being evaluated through this date.

The following is a summary of the significant accounting policies applied by management in the preparation of the accompanying financial statements.

Basis of Accounting -

PCWC records its financial transactions and maintains its books and records on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Comparative Financial Information -

The statements of activities and functional expenses include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with PCWC's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Basis of Presentation -

PCWC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of PCWC and/or the passage of time. Donor-restricted contributions whose restrictions are met within the same year as they are received are reflected as unrestricted contributions in the financial statements. PCWC's temporarily restricted net assets at June 30, 2017 and 2016 of \$259,147 and \$304,753, respectively, are restricted for use in specific programs.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by PCWC. Generally, the donors of these assets permit PCWC to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets as of June 30, 2017 and 2016.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, PCWC considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Contributions -

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the nature of any donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Support, Revenue and Accounts Receivable -

Contract revenue from government agencies is recognized as the services are performed.

PCWC has received significant financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of PCWC.

Additionally, PCWC receives various grants and contributions from corporations, foundations, individuals, and from religious organizations. All grants received that are designated for future periods or restricted by the grantor for specific purposes are reported as temporarily restricted or permanently restricted support. When temporarily restricted net assets are reclassified to unrestricted net assets, those net assets are reported in the statement of activities as net assets released from restrictions.

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts, when applicable. PCWC provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of grantors to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with contractual or grant terms. It is PCWC's policy to generally charge off uncollectible accounts receivable when management determines the receivable will not be collected. At June 30, 2017 and 2016, management established an allowance of \$-0-.

Property and Equipment -

Property and equipment are carried at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related cost in accumulated depreciation. The resulting gain or loss is reflected in the statement of activities.

PCWC generally capitalizes those assets in excess of \$500. Depreciation and amortization of property and equipment are calculated primarily using the straight-line method over periods of 3 to 39 years. Depreciation for the years ended June 30, 2017 and 2016, amounted to \$164,132 and \$164,517, respectively. Property and equipment acquired by PCWC are considered to be owned by PCWC. However, grant-funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Long-Lived Assets -

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the assets' carrying amount over the fair value of the asset. Fair value is based on market quotes, if available, or is based on valuation techniques. There were no impairment losses recognized during the years ended June 30, 2017 and 2016.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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. Accordingly, actual results may vary from those estimates.

Income Tax Status -

PCWC has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

PCWC files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, PCWC is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2013. PCWC does not expect a material net change in unrecognized tax benefits in the next twelve months.

Allocation of Expenses -

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Concentrations of Credit Risk -

Financial instruments, which potentially subject PCWC to concentrations of credit risk, consist principally of cash. PCWC places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits.

Reclassification -

Certain prior year's amounts have been reclassified to be consist with the current year presentation.

(2) PROPERTY AND EQUIPMENT:

Property and equipment at June 30, 2017 and 2016 amounted to the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 228,720	\$ 228,720
Building	2,058,483	2,058,483
Building improvements	8,500	8,500
Furniture, fixtures and equipment	268,603	253,943
Vehicles	<u>700</u>	<u>700</u>
	2,565,006	2,550,346
Less - Accumulated depreciation	<u>(554,576)</u>	<u>(390,570)</u>
Net property and equipment	<u>\$ 2,010,430</u>	<u>\$ 2,159,776</u>

(3) LEASE COMMITMENTS:

PCWC leases space for use by administration and its interim housing program. Monthly payments range from \$1,500 to \$15,500. The last of these leases expires in December, 2021.

PCWC also leases three copiers and a phone system with monthly payments that ranging from \$182 to \$522. The last of these leases expires in March, 2021.

Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2018	\$ 244,898
2019	220,719
2020	224,840
2021	219,134
2022	108,243

For the years ended June 30, 2017 and 2016, PCWC paid \$285,893 and \$249,240 in rent, respectively.

(4) EPISCOPAL CHARITIES LINE OF CREDIT:

PCWC has a line of credit agreement with Episcopal Charities and Community Services of Chicago (ECCS) in the amount of \$100,000. Interest is tied to annual CPI-U inflation rate. The line of credit is due in June, 2018. As of June 30, 2017 and 2016, the outstanding balance was \$38,500.

(5) NOTES PAYABLE:

In December, 2014, PCWC obtained and closed on a property subject to the Neighborhood Stabilization program, through a transfer from the City of Chicago. Pursuant to the agreement, the value of the property transferred was \$2,287,203 and is subject to certain conditions for use. In order to pay for the property, PCWC obtained a 10-year loan (considered a "senior loan") at an interest rate of 5.75% computed on a 360-day basis from the IFF in the amount of \$125,000 and, a subordinated interest-free mortgage from the City of Chicago in the amount of \$2,162,203. The subordinated mortgage will be forgiven ratably over a period of 15 years. The outstanding loan balance at June 30, 2017 and 2016 was \$1,792,950 and \$1,937,097, respectively.

The first payment for the IFF mortgage was due on February 1, 2015, and monthly payments are approximately \$730 per month. The maturity date of the loan is January 1, 2025. At maturity, a balloon payment in the amount of \$104,629 will be due and payable plus any applicable arrearages. The outstanding loan balance at June 30, 2017 and 2016 was \$121,179, and \$122,816, respectively.

In June, 2017, PCWC obtained an additional construction loan with a maximum amount of \$94,000 from IFF bearing an interest rate of 6.625%. In January, 2018, PCWC will make monthly payments of interest and principal of \$2,235. From July, 2017 through January, 2018, PCWC only has to pay interest. The maturity date of the loan is January 1, 2022. The outstanding loan balance at June 30, 2017 and 2016 was \$64,264 and \$-0-, respectively.

(5) NOTES PAYABLE: (Continued)

PCWC obtained a loan from an organization which was collateralized by accounts receivable. The loan is payable in weekly payments of \$4,423 with an interest rate of 25%. The maturity date of the loan is September 19, 2017. The outstanding balance of the loan at June 30, 2017 and 2016 was \$36,778 and \$-0-, respectively.

Future minimum payments are as follows:

2018	\$ 50,096
2019	25,884
2020	27,597
2021	5,071
2022	2,187
Thereafter	<u>111,386</u>
	<u>\$ 222,221</u>

(6) CONCENTRATIONS:

PCWC's operations are concentrated in the social service sectors, and as such, PCWC operates in a heavily regulated environment. The operations of PCWC are subject to the administrative directives, rules, and regulations of regulatory agencies including, but not limited to, the City of Chicago, and the United States Department of Housing and Urban Development.

For the years ended June 30, 2017 and 2016, PCWC received support from two entities that accounted for approximately 47% and 50% of total revenue, respectively.

(7) MANAGEMENT RESPONSE TO SIGNIFICANT LOSSES:

As indicated in the accompanying financial statements, PCWC incurred a decrease in net assets of \$381,643 during the year ended June 30, 2017. As of that date, PCWC's liabilities exceed its assets by \$187,081. PCWC kept a program going with the anticipation of the funding dollars to be consist as prior year. PCWC received the award letter from the funder in which the funder reduced their funding by 70% from the prior year. This was a significant factor in the loss that occurred during the year.

Management has evaluated these conditions and has determined that a reduction of expenses and an increased effort in obtaining private donors would help alleviate this uncertainty. As a result, PCWC has developed a relationship with a new fundraising partner. The ability of PCWC to continue as a going concern, is dependent on reducing expenses and increasing its private contributions. The financial statements do not include any adjustments that might be necessary if PCWC is unable to continue as a going concern.

Dugan & Lopatka

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Karen M. Olson
Hugh E. Elliott
Ronald A. Marklund

Gwen S. Henry

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 of
Primo Center for Women and Children:

We have audited, 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, the financial statements of Primo Center for Women and Children (PCWC) which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to the financial statements and have issued our report thereon dated March 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PCWC'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 PCWC's internal control. Accordingly, we do not express an opinion on the effectiveness of PCWC's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2017-001 and 2017-002).

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*

Page two

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2017-003 and 2017-004).

Compliance and Other Matters

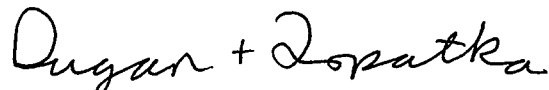
As part of obtaining reasonable assurance about whether PCWC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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*.

Primo Center for Women and Children's Response to Findings

PCWC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. PCWC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



DUGAN & LOPATKA

Wheaton, Illinois
March 26, 2018

Dugan & Lopatka

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Primo Center for Women and Children:

Report on Compliance for Each Major Federal Program

We have audited Primo Center for Women and Children's (PCWC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of PCWC's major federal programs for the year ended June 30, 2017. PCWC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PCWC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Primo Center for Women and Children's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on PCWC's compliance.

Opinion on Each Major Federal Program

In our opinion, PCWC compiled, in all material respects, with the types of compliance requirements referred to above, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of PCWC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PCWC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PCWC's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditor's Report on Compliance
for Each Major Federal Program and on
Internal Control over Compliance
Required by the Uniform Guidance
Page three

* * * * *

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


DUGAN & LOPATKA

Wheaton, Illinois
March 26, 2018

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Pass- Through Number	Passed Through to Sub-Recipients	Total Program Expenditures
Department of Housing and Urban Development: Continuum of Care	14.267				\$ 417,832
Community Development Block Grant	14.218	City of Chicago Dept. of Family and Supportive Services	31200		84,179
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	31481		297,423
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	32051		266,470
Emergency Solutions Grant	14.231	All Chicago	31544		156,217
Total Emergency Solutions Grant					720,110
NSPR Rehabilitation Loan	14.276				1,937,097*
Total Department of Housing and Urban Development					3,159,218
Department of Health and Human Services: MIECHV	93.870	Illinois Dept. of Human Services	6FCSV03871		81,761
Community Service Block Grant	93.569	City of Chicago Dept. of Family and Supportive Services	31306		244,433*
Total Department of Health and Human Services					326,194
Department of Homeland Security Emergency Food and Shelter	97.024	United Way	Phase 33 Phase 34		33,286 35,616
Total Department of Homeland Security					68,902
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 3,554,314

*Major program

PRIMO CENTER FOR WOMEN AND CHILDREN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of Primo Center for Women and Children (PCWC) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Primo Center for Women and Children, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of Primo Center for Women and Children.

Note B - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rates:

PCWC did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Non-Cash Awards:

PCWC did not have any loan guarantees or insurance at June 30, 2017, and did not receive any federal non-cash awards during the year ended June 30, 2017. PCWC had an outstanding loan totaling \$1,792,950 as of June 30, 2017.

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

PART 1: SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Primo Center for Women and Children (PCWC) were prepared in accordance with GAAP.
2. There were two material weaknesses disclosed during the audit of the financial statements. There are two significant deficiencies related to the audit of the financial statements that are reported.
3. No instances of noncompliance material to the financial statements of PCWC, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no material weaknesses disclosed during the audit of the major federal awards programs. No significant deficiencies related to the audit of the major federal awards program are reported.
5. The auditor's report on compliance for the major federal award programs for PCWC expresses an unmodified opinion on all major federal programs.
6. There are no audit findings disclosed that is required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:
 - 93.569 Community Service Block Grant
 - 14.276 NSPR Rehabilitation Loan
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. PCWC was determined not to be a low-risk auditee.

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

PART 2: FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS):

2017-001 (Repeat finding of 2016-001):

Criteria:

Under AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, states that any material adjustment made by an auditor is considered a material weakness.

Condition:

There were four material adjustments made during the audit to materially correct assets, liabilities, and net assets at year end. The adjustments increased assets by approximately \$73,000, mainly in accounts receivable, and an increase in liabilities of approximately \$1,700,000, and an increase in net assets of approximately \$67,000 due to not properly recording grant revenue and accrued expenses.

Cause:

The main increase in assets was due to the grant manager not recording billing for June, 2017 as revenue and accounts receivable, as of June 30, 2017. The increase in liabilities was due to not recording the forgivable note payable in the general ledger.

Effect:

The financial statements that the Board of Directors received in regards to accrual accounting were materially misstated in the recording of revenue in the correct period.

Auditor's Recommendations:

We recommend that PCWC make an entry in the general ledger as soon as the request to the grantor is prepared. The date of the entry should be the month in which the expenses were incurred. This will help management and the Board to actually see the financial position of PCWC. The proper recording of grant revenue will assist management and the Board in making future operational decisions.

Management Response:

We agree with the auditor's comments and the following action will be taken to improve the situation. We will implement the specific recommendations from the auditor. Further, we will increase the dedicated resources allocated to fiscal management of the Primo Center. As the organization has grown the resources needed to manage all accounting in a timely manner has increased.

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

PART 2: FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS): (Continued)

2017-002

Criteria:

Under AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, 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. We view the following condition as a material weakness.

Condition:

In gaining our understanding of internal controls over payroll, we noted that following control: All PCWC employees should complete a timesheet showing hours worked by grant or functional expense if there is no grant for the hours they worked by pay period. PCWC was not able to locate 18 out of the 40 timesheets selected for testing.

Cause:

PCWC moved its office locations during the year and during the move there were many files lost, including timesheets.

Auditor's Recommendation:

We recommend that PCWC consider electronic timesheets that are backed up via the cloud. This will eliminate losing timesheets due to a move, fire or water damage.

Effect:

The missing timesheets prevent the accounting department documentation of time and effort that supports the salaries charged to a grant. The missing timesheets also prevent the accounting department support in allocation of salaries to their functional expenses.

Management's Response:

We agree with the auditor's comments and the following action will be taken to improve the situation. Effective February 1, 2018, Primo Center implemented an electric time card system through our payroll provider, ADP. All time cards are now entered and tracked electronically.

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

PART 2: FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS): (Continued)

2017-003

Criteria:

Under AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, 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. We view the following condition as a significant deficiency.

Condition:

In gaining our understanding of internal controls over payroll, we noted the following control: all timesheets must be approved by the employees' supervisor. We reviewed 22 timesheets of which 2 were missing supervisor approval.

Cause:

The supervisor missed signing the timesheets due to the volume of timesheets being signed or was interrupted during the process of signing the timesheets.

Effect:

The approval of timesheets gives the accounting department and management the assurance that the hours worked and allocation per grant are the actual hours the employee provided.

Auditor's Recommendations:

We recommend that the timesheets be reviewed by the accounting department to verify all timesheets have a supervisor approval before processing payroll. If the approval is missing, the accounting department should e-mail the timesheet to the supervisor and ask for a reply verifying that the hours are correct. We also recommend that the PCWC consider electronic timesheets that provide the ability for the supervisor to approve a timesheet remotely.

Management Response:

We agree with the auditor's comments and the following action will be taken to improve the situation. Effective February 1, 2018, Primo Center implemented an electric time card system through our payroll provider, ADP. All time cards are now entered and tracked electronically.

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

PART 2: FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS): (Continued)

2017-004

Criteria:

Under AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, 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. We view the following condition as a significant deficiency.

Condition:

In gaining our understanding of internal controls over cash disbursements, we noted the following control: all invoices that are not routine in nature should be approved. We reviewed 40 cash disbursements of which 2 were missing approval for payment.

Cause:

PCWC moved during the year to a new location. There was some transition during that time frame in which some expenses were written without getting approval for disbursements.

Effect:

There is a possibility that an invoice could be paid by the accounting department before the services were rendered.

Auditor's Recommendations:

We recommend that the preparer of the checks not process any check without seeing an approval on the invoice. We also recommend that signer of the check reviews all invoices to make sure there is an approval before signing the check.

Management Response:

We agree with the auditor's comments and the following action will be taken to improve the situation. Effective November 1, 2018, Primo Center implemented an improved invoice approval process that includes a required stamp and signature for all non-recurring invoices.

PART 3: FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

There were no auditing findings in relation to major federal awards programs tested.

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

PART 4: SUMMARY SCHEDULE OF PRIOR FINDINGS -

2016-001

Condition:

There were four material adjustments made during the audit to materially correct assets, liabilities, and net assets at year end. The adjustments increased assets by approximately \$200,000, mainly in accounts receivable, and an increase in liabilities of approximately \$60,000, and an increase in net assets of approximately \$140,000, mainly in grant revenue.

Cause:

The main increase in assets was due to the grant manager not recording billing for June, 2016 as revenue and accounts receivable, as of June 30, 2016. The increase in liabilities was due to insurance policies that had expired, but had not been paid in full, and recording of accrued vacation.

Current Status:

There were material adjustments in the current year.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2016-002

Continuum of Care, CFDA #14.267

NSPR Rehabilitation Loan. CFDA #14.276

Criteria:

2 CFR Section 200.512(a) requires that the reporting package (the Single audit report) and the data collection form be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received or nine months after the end of the audit period.

Condition:

Primo Center for Women and Children's June 30, 2015 reporting package and data collection form was submitted and accepted by the Federal Audit Clearinghouse on May 6, 2016. The reporting package and data collection form were due no later than March 31, 2016.

Cause:

The reason for the delay in the audit occurred due to the purchase of a new building through the rehabilitation loan. There was a delay in getting the documents to the auditor and then a delay by the auditor in reviewing the document for the audit.

Effect:

The effect was the report was filed late to their pass-through entities and Federal Audit Clearinghouse.

Current Status:

Corrected



PRIMO CENTER

for WOMEN and CHILDREN

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2017

Oversight Agency: U.S. Department of Housing and Urban Development

Auditor: Dugan & Lopatka, CPA's
104 E. Roosevelt Road
Wheaton, IL 60187

If the awarding agency has questions regards this plan, please call Erik Harmon at (773) 722-0544 x 7008.

The findings from the schedule of finding and questioned costs are discussed below. The findings are number are consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS):

SIGNIFICANT DEFICIENCY

2017-003

Condition:

In gaining our understanding of internal controls over payroll, we noted the following control: all timesheets must be approved by the employees' supervisor. We reviewed 22 timesheets of which 2 were missing supervisor approval.

Cause:

The supervisor missed signing the timesheets due to the volume of timesheets being signed or was interrupted during the process of signing the timesheets.

Effect:

The approval of timesheets gives the accounting department and management the assurance that the hours worked and allocation per grant are the actual hours the employee provided.

Auditor's Recommendations:

We recommend that the timesheets be reviewed by the accounting department to verify all timesheets have a supervisor approval before processing payroll. If the approval is missing, the accounting department should e-mail the timesheet to the supervisor and ask for a reply verifying that the hours are correct. We also recommend that the PCWC



PRIMO CENTER

for WOMEN and CHILDREN

consider electronic timesheets that provide the ability for the supervisor to approve a timesheet remotely

Action taken:

We agree with the auditor's comments and the following action will be taken to improve the situation. Effective February 1, 2018, Primo Center implemented an electric time card system through our payroll provider, ADP. All time cards are now entered and tracked electronically.

2017-004

Condition:

In gaining our understanding of internal controls over cash disbursements, we noted the following control: all invoices that are not routine in nature should be approved. We reviewed 40 cash disbursements of which 2 were missing approval for payment.

Cause:

PCWC moved during the year to a new location. There was some transition during that time frame in which some expenses were written without getting approval for disbursements.

Effect:

There is a possibility that an invoice could be paid by the accounting department before the services were rendered.

Auditor's Recommendations:

We recommend that the preparer of the checks not process any check without seeing an approval on the invoice. We also recommend that signer of the check reviews all invoices to make sure there is an approval before signing the check.

Action taken:

We agree with the auditor's comments and the following action will be taken to improve the situation. Effective November 1, 2018, Primo Center implemented an improved invoice approval process that includes a required stamp and signature for all non-recurring invoices.

MATERIAL WEAKNESS

2017-001



PRIMO CENTER

for WOMEN and CHILDREN

Condition:

There were four material adjustments made during the audit to materially correct assets, liabilities, and net assets at year end. The adjustments increased assets by approximately \$73,000, mainly in accounts receivable, and an increase in liabilities of approximately \$1,700,000, and an increase in net assets of approximately \$67,000 due to not properly recording grant revenue and accrued expenses.

Cause:

The main increase in assets was due to the grant manager not recording billing for June, 2017 as revenue and accounts receivable, as of June 30, 2017. The increase in liabilities was due to not recording the forgivable note payable in the general ledger.

Effect:

The financial statements that the Board of Directors received in regards to accrual accounting were materially misstated in the recording of revenue in the correct period.

Auditor's Recommendations:

We recommend that PCWC make an entry in the general ledger as soon as the request to the grantor is prepared. The date of the entry should be the month in which the expenses were incurred. This will help management and the Board to actually see the financial position of PCWC. The proper recording of grant revenue will assist management and the Board in making future operational decisions.

Action Taken:

We agree with the auditor's comments and the following action will be taken to improve the situation. We will implement the specific recommendations from the auditor. Further, we will increase the dedicated resources allocated to fiscal management of the Primo Center. As the organization has grown the resources needed to manage all accounting in a timely manner has increased.

2017-002



PRIMO CENTER

for WOMEN and CHILDREN

Condition:

In gaining our understanding of internal controls over payroll, we noted that following control: All PCWC employees should complete a timesheet showing hours worked by grant or functional expense if there is no grant for the hours they worked by pay period. PCWC was not able to locate 18 out of the 40 timesheets selected for testing.

Cause:

PCWC moved its office locations during the year and during the move there were many files lost, including timesheets.

Auditor's Recommendation:

We recommend that PCWC consider electronic timesheets that are backed up via the cloud. This will eliminate losing timesheets due to a move, fire or water damage.

Effect:

The missing timesheets prevent the accounting department documentation of time and effort that supports the salaries charged to a grant. The missing timesheets also prevent the accounting department support in allocation of salaries to their functional expenses.

Action Taken:

We agree with the auditor's comments and the following action will be taken to improve the situation. Effective February 1, 2018, Primo Center implemented an electric time card system through our payroll provider, ADP. All time cards are now entered and tracked electronically.