

PRIMO CENTER FOR WOMEN AND CHILDREN

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2018**

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, 2018, 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, 2018, 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 2017 financial statements, and our report dated March 26, 2018 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, 2017 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 (reissued), 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. The accompanying schedule of expenditures of federal awards were reissued as there was two pass through grant not originally reported on the schedule.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 8, 2019 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

Warrenville, Illinois

February 8, 2019 (except for our report on the

Schedule of Expenditures of Federal Awards, for which date is September 16, 2019)

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
ASSETS:		
Cash	\$ -	\$ -
Grants receivable, net	901,936	383,947
Prepaid expenses	3,507	3,507
Property and equipment, net	1,851,155	2,010,430
Security deposits - rental	<u>22,967</u>	<u>16,667</u>
Total assets	<u>\$ 2,779,565</u>	<u>\$ 2,414,551</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Cash overdraft	\$ 100,462	\$ 75,407
Accounts payable	122,881	185,450
Accrued expenses	578,593	282,853
Security deposits	5,249	5,249
Line of credit	38,500	38,500
Loans payable (net of deferred financing costs of \$872 and \$998 for 2018 and 2017, respectively)	<u>1,924,570</u>	<u>2,014,173</u>
Total liabilities	<u>2,770,255</u>	<u>2,601,632</u>
NET ASSETS:		
Unrestricted	(270,690)	(446,228)
Temporarily restricted	<u>280,000</u>	<u>259,147</u>
Total net assets	<u>9,310</u>	<u>(187,081)</u>
Total liabilities and net assets	<u>\$ 2,779,565</u>	<u>\$ 2,414,551</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 2018
(with comparative totals for 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
SUPPORT AND REVENUE:				
Support -				
Foundations, corporations and religious community	\$ 954,733	\$ 280,000	1,234,733	\$ 1,212,961
Government grants	2,643,675	-	2,643,675	1,952,875
Individuals	153,176	-	153,176	41,511
Total support	3,751,584	280,000	4,031,584	3,207,347
Revenue -				
Special event, net of expenses of \$305,469 and \$131,592 for 2018 and 2017, respectively)	317,854	-	317,854	231,927
Rental income - permanent housing	19,881	-	19,881	19,351
Debt forgiveness - NSP 2 loan	144,147	-	144,147	144,147
Interest	-	-	-	5
Miscellaneous	72,936	-	72,936	17,764
Total revenue	554,818	-	554,818	413,194
Net assets released from restrictions - Satisfaction of purpose restrictions	259,147	(259,147)	-	-
Total revenue and support	4,565,549	20,853	4,586,402	3,620,541
FUNCTIONAL EXPENSES:				
Program	3,544,986	-	3,544,986	2,937,017
Management and general	698,371	-	698,371	966,221
Fundraising	146,654	-	146,654	107,991
Total functional expenses	4,390,011	-	4,390,011	4,011,229
CHANGE IN NET ASSETS	175,538	20,853	196,391	(390,688)
NET ASSETS, Beginning of year	(446,228)	259,147	(187,081)	203,607
NET ASSETS, End of year	\$ (270,690)	\$ 280,000	\$ 9,310	\$ (187,081)

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 196,391</u>	<u>\$ (390,688)</u>
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	160,700	164,132
Non-cash forgiveness of debt	(144,147)	(144,147)
Changes in assets and liabilities:		
(Increase) in grants receivable	(517,989)	(162,368)
(Increase) decrease in employee advances	-	1,191
Decrease in prepaid expenses	-	15,516
(Increase) in security deposits - rental	(6,300)	(572)
Increase in accounts payable and accrued expenses	<u>233,171</u>	<u>295,473</u>
Total adjustments	<u>(274,565)</u>	<u>169,225</u>
Net cash (used in) operating activities	<u>(78,174)</u>	<u>(221,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(1,299)</u>	<u>(14,660)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in bank overdraft	25,055	75,407
Proceeds from loans	152,439	148,259
Payments on debt	<u>(98,021)</u>	<u>(48,854)</u>
Net cash provided by (used in) financing activities	<u>79,473</u>	<u>174,812</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	(61,311)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>-</u>	<u>61,311</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 58,985</u>	<u>\$ 27,632</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, 2018
(with comparative totals for 2017)

	Program Services			Total Program Services	Supporting Services	Fundraising	2018 Total	2017 Total
	Interim Housing	Permanent Housing	Community Focus		Management and General			
Salaries and wages	\$ 1,583,645	\$ 180,235	\$ 382,429	\$ 2,146,309	\$ 429,591	\$ 81,176	\$ 2,657,076	\$ 2,344,522
Payroll taxes and benefits	281,638	32,038	68,047	381,723	76,411	14,414	472,548	465,037
Consultants	45,772	3,065	6,510	55,347	7,810	880	64,037	62,125
Accounting/audit and payroll fees	25,788	2,934	6,231	34,953	6,997	1,319	43,269	10,337
Property management fees	-	7,236	-	7,236	-	-	7,236	98,328
Rent and utilities	346,517	16,478	20,058	383,053	12,335	2,324	397,712	327,526
Insurance	33,640	3,827	8,128	45,595	9,127	1,721	56,443	103,882
Building maintenance and repair	49,677	15,581	5,270	70,528	5,918	1,115	77,561	108,881
Real estate taxes	40,562	-	-	40,562	-	-	40,562	16,394
Office supplies and printing	9,576	1,111	4,905	15,592	2,307	436	18,335	18,125
Program supplies	13,897	-	-	13,897	2,758	-	16,655	25,962
Food	2,499	-	-	2,499	-	-	2,499	880
Travel	17,863	1,856	3,942	23,661	4,426	834	28,921	11,251
Furniture and equipment rental and purchase	30,971	3,524	7,484	41,979	8,403	1,585	51,967	13,746
Maintenance and repair	10,862	1,237	2,625	14,724	2,947	554	18,225	11,457
Communications	28,493	3,217	6,831	38,541	7,671	1,448	47,660	55,235
Postage and shipping	-	-	-	-	120	-	120	574
Conference and meetings	-	-	-	-	36,174	-	36,174	59,402
Dues, subscriptions and publications	-	-	-	-	4,473	-	4,473	3,193
Depreciation and amortization	13,574	139,343	3,280	156,197	3,809	694	160,700	164,132
Bank and credit card fees	-	-	-	-	7,187	-	7,187	20,887
Interest	-	-	-	-	58,985	-	58,985	27,632
Development expense	-	-	-	-	-	36,998	36,998	-
Bad Debt	41,930	-	-	41,930	-	-	41,930	-
Miscellaneous expense	22,585	2,614	5,461	30,660	10,922	1,156	42,738	61,721
Total functional expenses	\$ 2,599,489	\$ 414,296	\$ 531,201	\$ 3,544,986	\$ 698,371	\$ 146,654	\$ 4,390,011	\$ 4,011,229

The accompanying notes are an integral part of this statement.

PRIMO CENTER FOR WOMEN AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(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 five facilities in the west and south side of Chicago, provides interim housing and permanent housing for up to 800 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 February 8, 2019, 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, 2017, 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. PCWC's temporarily restricted net assets at June 30, 2018 and 2017 of \$280,000 and \$259,147, 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, 2018 and 2017.

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.

Donor-restricted contributions whose restrictions are met within the same year as they are received are reflected as unrestricted contributions in the financial statements.

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

Government Grants -

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.

Grant Receivable -

Grant 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, 2018 and 2017, 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, 2018 and 2017, amounted to \$160,700 and \$164,132, 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, 2018 and 2017.

(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 fiscal years before 2015. 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.

(2) PROPERTY AND EQUIPMENT:

Property and equipment at June 30, 2018 and 2017 amounted to the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 228,720	\$ 228,720
Building	2,058,483	2,058,483
Building improvements	8,500	8,500
Furniture, fixtures and equipment	269,902	268,603
Vehicles	<u>700</u>	<u>700</u>
	2,566,305	2,565,006
Less - Accumulated depreciation	<u>(715,150)</u>	<u>(554,576)</u>
Net property and equipment	<u>\$ 1,851,155</u>	<u>\$ 2,010,430</u>

(3) LEASE COMMITMENTS:

PCWC leases space for use by administration and its interim housing program. Monthly payments range from approximately \$4,000 to \$18,000. The last of these leases expires in December, 2022.

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</u> <u>June 30,</u>	
2019	\$ 307,479
2020	273,800
2021	268,094
2022	132,723

For the years ended June 30, 2018 and 2017, PCWC paid \$319,155 and \$285,893 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, 2019. As of June 30, 2018 and 2017, 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, 2018 and 2017 was \$1,648,803 and \$1,792,950, 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, 2018 and 2017 was \$119,445, and \$121,179, 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, 2018 and 2017 was \$88,254 and \$64,264, 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, 2018 and 2017 was \$-0- and \$36,778, respectively.

PCWC obtained a loan during 2018 from an organization which was collateralized by accounts receivable. The loan is payable in weekly payments of \$4,537 with an interest rate of 28%. The maturity date of the loan is November, 2018. The outstanding balance of the loan at June 30, 2018 was \$68,940.

Future minimum payments are as follows:

2019	\$ 92,395
2020	25,024
2021	26,735
2022	19,564
2023	3,813
Thereafter	<u>109,107</u>
	<u>\$ 276,638</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, 2018 and 2017, PCWC received support from two entities that accounted for approximately 42% and 47% of total revenue, respectively.

(7) CONTINGENCIES:

As of June 30, 2018, PCWC was late in the remittance of payroll taxes to the IRS, and based on IRS guidelines could be subject to penalties. PCWC believes it is reasonable possible, but not probable, that a loss will occur due to these potential penalties. It is estimated that if PCWC is penalized, the range of penalties will be between \$30,000 and \$50,000.

(8) SUBSEQUENT EVENT:

In November, 2018, PCWC received a grant from a donor in the amount of \$2,500,000. The grant is to assist PCWC to pursue solutions to family homelessness over the next four years.



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Lopatka**

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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, 2018 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 February 8, 2019.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2018-001).

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

Compliance and Other Matters

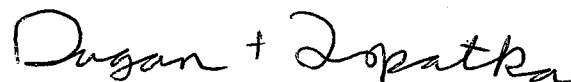
As part of obtaining reasonable assurance about whether PCWC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on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

Warrenville, Illinois
February 8, 2019



**Dugan &
Lopatka**

Certified Public Accountants
4320 WINFIELD ROAD, SUITE 450
WARRENVILLE, IL 60555
630 665 4440
duganlopatka.com

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, 2018. 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, 2018.

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.

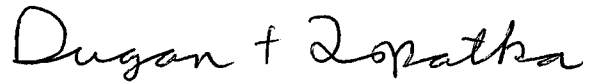
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

A handwritten signature in cursive script that reads "Dugan + Lopatka".

DUGAN & LOPATKA

Warrenville, Illinois
February 8, 2019

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018 (REISSUED)

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				\$ 276,068
Continuum of Care	14.267	Center for Housing and Health			87,652
					<u>363,720</u>
Community Development Block Grant	14.218	City of Chicago Dept. of Family and Supportive Services	31200		43,595
Community Development Block Grant	14.218	City of Chicago Dept. of Family and Supportive Services	67727		41,961
					<u>85,556</u>
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	31481		116,639
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	32051		150,140
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	67733		143,759
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	67734		17,898
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	67735		109,042
Emergency Solutions Grant	14.231	All Chicago	31544		50,393
Emergency Solutions Grant	14.231	All Chicago	67628		6,500
Total Emergency Solutions Grant					<u>594,371*</u>
Section 8 Housing Choice Vouchers	14.871	City of Chicago Dept. of Family and Supportive Services	37798		7,981
Section 8 Housing Choice Vouchers	14.871	City of Chicago Dept. of Family and Supportive Services	67726		7,840
Total Emergency Solutions Grant					<u>15,821</u>
NSPR Rehabilitation Loan	14.276				<u>1,792,950*</u>
Total Department of Housing and Urban Development					<u>2,852,418</u>

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018 (REISSUED)

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor</u>	<u>Pass- Through Number</u>	<u>Passed Through to Sub-Recipients</u>	<u>Total Program Expenditures</u>
Department of Health and Human Services: MIECHV	93.870	Illinois Dept. of Human Services	8FCSWS04112		73,362
Community Service Block Grant	93.569	City of Chicago Dept. of Family and Supportive Services	31306		163,954
	93.569	City of Chicago Dept. of Family and Supportive Services	67732		156,581
	93.569	City of Chicago Dept. of Family and Supportive Services	77038		<u>45,916</u>
Total Community Service Block Grant					<u>366,451</u>
Total Department of Health and Human Services					<u>439,813</u>
Department of Homeland Security Emergency Food and Shelter	97.024	United Way	Phase 35		33,838
Total Department of Homeland Security					<u>32,838</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 3,325,069</u></u>

*Major program

PRIMO CENTER FOR WOMEN AND CHILDREN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018 (REISSUED)

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, 2018. 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, 2018, and did not receive any federal non-cash awards during the year ended June 30, 2018. PCWC had an outstanding loan totaling \$1,648,803 as of June 30, 2018.

Note E – Reissuing of Single Audit reports

PCWC did not report two federal grants from a pass-through in its Single Audit report dated February 8, 2019. Upon further investigation, Community Service Block Grant was under reported by \$202,497. Because of this reporting error, a revised Schedule of Expenditures of Federal Awards is presented and additional testing on the schedule has been performed which resulted in dual-dating of the audit report.

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 was one material weaknesses disclosed during the audit of the financial statements. There were no 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:
 - 14.231 Emergency Solutions 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, 2018

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

2018-001 (Repeat finding of 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 material weakness.

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 17 cash disbursements, that were not routine, of which 14 were missing approval for payment.

Cause:

Due to having staff at numerous locations and short staffing in the accounting department, there were invoices that were paid without documentation of approval. Twelve out of the fourteen exceptions occurred before the fiscal year 2017 audit was finalized and a finding was reported in regards to missing documentation of approval of non-routine invoice.

Effect:

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

Recommendation:

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 acknowledge the auditors' comments, as noted the finding was identified in our audit last year which we received in March, 2018. We immediately implemented a new policy to address the finding. The selections that were used and caused the repeat finding were primarily from prior to our audit last year so were from before we received the first finding.

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, 2018

PART 4: SUMMARY SCHEDULE OF PRIOR FINDINGS -

2017-001

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 \$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.

Recommendation:

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.

Current Status:

Corrected

2017-002

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.

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.

Current Status:

Corrected

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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.

Recommendation:

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 email 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.

Current Status: Corrected

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.

Recommendation:

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

Current Status: Repeat finding 2018-001



PRIMO CENTER

for WOMEN and CHILDREN

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

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 regarding this plan, please call Erik Harmon at (773) 722-0544 x7008

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

FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS):

2018-001 (repeat finding of 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 material weakness.

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 17 cash

disbursements, that were not routine, of which 14 were missing approval for payment.

Cause: Due to having staff at numerous locations and short staffing in the accounting department, there were invoices that were paid without documentation of approval. Twelve out of the fourteen exceptions occurred before the fiscal year 2017 audit was finalized and a finding was reported in regards to missing documentation of approval of non-routine invoice.



PRIMO CENTER

for WOMEN and CHILDREN

Auditor's Recommendation: 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.

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

Action taken: Effective 11/1/17 Primo Center implemented an improved invoice approval process that includes a required stamp and signature for all non-recurring invoices. In addition, Primo Center increased our financial controls by adding outsourced financial services starting August 2018.