

PRIMO CENTER FOR WOMEN AND CHILDREN

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2019**

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, 2019, 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, 2019, 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 2018 financial statements, and our report dated February 8, 2019, 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, 2018, 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 January 8, 2020, 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.

Correction of an Error

As described in Note 9 to the financial statements, the PCWC understated notes payable and overstated revenue in previous years due to recording proceeds from two loans as revenue. Our opinion is not modified with respect to that matter.


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PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	(Restated) 2018
<u>ASSETS</u>		
ASSETS:		
Cash	878,861	\$ -
Grants receivable	1,067,776	901,936
Prepaid expenses	38,618	3,507
Property and equipment, net	1,877,893	1,851,155
Security deposits - rental	52,217	22,967
	<u> </u>	<u> </u>
Total assets	<u>\$ 3,915,365</u>	<u>\$ 2,779,565</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Cash overdraft	\$ -	\$ 100,462
Accounts payable	152,375	122,881
Accrued expenses	306,444	578,593
Security deposits	6,500	5,249
Line of credit	-	38,500
Loans payable (net of deferred financing costs of \$746 and \$872 for 2019 and 2018, respectively)	1,794,566	2,084,570
	<u> </u>	<u> </u>
Total liabilities	<u>2,259,885</u>	<u>2,930,255</u>
NET ASSETS:		
Without donor restrictions	1,585,480	(430,690)
With donor restrictions	70,000	280,000
	<u> </u>	<u> </u>
Total net assets	<u>1,655,480</u>	<u>(150,690)</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 3,915,365</u>	<u>\$ 2,779,565</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 2019
(with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
SUPPORT AND REVENUE:				
Support -				
Foundations, corporations and religious community	\$ 3,575,174	\$ 50,000	3,625,174	1,234,733
Government grants	3,648,124	-	3,648,124	2,643,675
Individuals	58,518	-	58,518	153,176
Total support	7,281,816	50,000	7,331,816	4,031,584
Revenue -				
Special event, net of expenses of \$243,760 and \$305,469 for 2019 and 2018, respectively)	76,530	-	76,530	317,854
Rental income - permanent housing	18,997	-	18,997	19,881
Debt forgiveness - NSP 2 loan	144,147	-	144,147	144,147
Interest	7,707	-	7,707	-
Miscellaneous	1,368	-	1,368	72,936
Total revenue	248,749	-	248,749	554,818
Net assets released from restrictions -				
Satisfaction of purpose restrictions	260,000	(260,000)	-	-
Total revenue and support	7,790,565	(210,000)	7,580,565	4,586,402
FUNCTIONAL EXPENSES:				
Program	4,105,746	-	4,105,746	3,544,986
Management and general	1,482,639	-	1,482,639	698,371
Fundraising	186,010	-	186,010	146,654
Total functional expenses	5,774,395	-	5,774,395	4,390,011
CHANGE IN NET ASSETS	2,016,170	(210,000)	1,806,170	196,391
NET ASSETS, Beginning of year as previously stated	(270,690)	280,000	9,310	(187,081)
Adjustment to record note payable	-	-	-	(160,000)
Balance at beginning of year, restated	(430,690)	280,000	(150,690)	(347,081)
NET ASSETS, End of year	\$ 1,585,480	\$ 70,000	\$ 1,655,480	\$ (150,690)

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 1,806,170</u>	<u>\$ 196,391</u>
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	163,535	160,700
Loss on disposal of fixed assets	8,549	-
Non-cash forgiveness of debt	(144,147)	(144,147)
Changes in assets and liabilities:		
(Increase) in grants receivable	(165,840)	(517,989)
(Increase) decrease in employee advances	-	-
(Increase) decrease in prepaid expenses	(35,111)	-
(Increase) in security deposits - rental	(29,996)	(6,300)
Increase in accounts payable and accrued expenses	(242,655)	233,171
(Decrease) in security deposits payable	<u>1,251</u>	<u>-</u>
Total adjustments	<u>(444,414)</u>	<u>(274,565)</u>
Net cash provided by (used in) operating activities	<u>1,361,756</u>	<u>(78,174)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(198,696)</u>	<u>(1,299)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in bank overdraft	(100,462)	25,055
Proceeds from loans	-	152,439
Payments on line of credit	(38,500)	-
Payments on debt	<u>(145,237)</u>	<u>(98,021)</u>
Net cash provided by (used in) financing activities	<u>(284,199)</u>	<u>79,473</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>878,861</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 878,861</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 64,191</u>	<u>\$ 58,985</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, 2019
(with comparative totals for 2018)

	Program Services		Total Program Services	Supporting Services		2019 Total	2018 Total
	Interim Housing	Permanent Housing		Management and General	Fundraising		
Salaries and wages	\$ 1,855,928	\$ 550,896	\$ 2,406,824	\$ 796,422	\$ 65,074	\$ 3,268,320	\$ 2,657,076
Payroll taxes and benefits	323,705	96,086	419,791	138,910	11,350	570,051	472,548
Consultants	189,422	1,039	190,461	16,911	-	207,372	64,037
Accounting/audit and payroll fees	-	-	-	110,231	-	110,231	43,269
Property management fees	-	-	-	-	-	-	7,236
Rent and utilities	464,650	65,758	530,408	2,969	-	533,377	397,712
Insurance	34,691	10,297	44,988	14,887	1,216	61,091	56,443
Building maintenance and repair	91,057	31,027	122,084	18,650	-	140,734	77,561
Real estate taxes	-	17,305	17,305	-	-	17,305	40,562
Office supplies and printing	17,653	205	17,858	16,789	-	34,647	18,335
Program supplies	16,159	2,638	18,797	411	-	19,208	16,655
Client activities	12,657	-	12,657	390	-	13,047	-
Food	1,332	-	1,332	4,193	80	5,605	2,499
Travel	32,665	-	32,665	67,734	3,081	103,480	28,921
Furniture and equipment rental and purchase	46,521	3,779	50,300	12,580	-	62,880	51,967
Maintenance and repair	35	-	35	-	-	35	18,225
Communications	32,710	9,709	42,419	14,037	1,147	57,603	47,660
Postage and shipping	-	391	391	70	-	461	120
Conference and meetings	155	55	210	29,479	-	29,689	36,174
Dues, subscriptions and publications	16,925	3,750	20,675	96,591	207	117,473	4,473
Depreciation and amortization	-	163,409	163,409	126	-	163,535	160,700
Bank and credit card fees	12	30	42	5,482	-	5,524	7,187
Interest	-	-	-	64,191	-	64,191	58,985
Development expense	-	-	-	-	103,830	103,830	36,998
Bad debt	-	-	-	55,218	-	55,218	41,930
Special events	3,000	-	3,000	-	240,760	243,760	305,469
Miscellaneous expense	13,095	-	13,095	16,368	25	29,488	42,738
Total expenses by function	3,152,372	956,374	4,108,746	1,482,639	426,770	6,018,155	4,695,480
Less expenses included with revenues on the statement of activities	(3,000)	-	(3,000)	-	(240,760)	(243,760)	(305,469)
Total expenses included in the expense section on the statement of activities	\$ 3,149,372	\$ 956,374	\$ 4,105,746	\$ 1,482,639	\$ 186,010	\$ 5,774,395	\$ 4,390,011

The accompanying notes are an integral part of this statement.

PRIMO CENTER FOR WOMEN AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

(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, permanent housing search assistance, structured children's activities, and case management services.

The financial statements were available to be issued on January 8, 2020, 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, 2018, from which the summarized information was derived.

Basis of Presentation-

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, PCWC is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the PCWC. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of PCWC and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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 and unconditional promises to give are measured at their net present values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

(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.

Grants Receivable -

Grants 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, 2019 and 2018, 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 \$1,500. 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, 2019 and 2018, amounted to \$163,535 and \$160,700, 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, 2019 and 2018.

(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 2016. PCWC does not expect a material net change in unrecognized tax benefits in the next twelve months.

New Accounting Pronouncement -

During 2019, PCWC adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This update to ASU 958 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. PCWC had adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses which are allocated based on estimates of time and effort and occupancy and related expenses which are allocated based on square footage.

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, 2019 and 2018, amounted to the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 228,720	\$ 228,720
Building	2,058,483	2,058,483
Building improvements	20,500	8,500
Furniture, fixtures and equipment	97,134	269,902
Vehicles	34,971	700
Constructions in progress	<u>142,904</u>	<u>-</u>
	2,582,712	2,566,305
Less - Accumulated depreciation	<u>(704,819)</u>	<u>(715,150)</u>
Net property and equipment	<u>\$ 1,877,893</u>	<u>\$ 1,851,155</u>

(3) LEASE COMMITMENTS:

PCWC leases space for use by administration and its interim housing program. Monthly payments range from approximately \$4,880 to \$25,833. The last of these leases expires in December 2027.

PCWC also leases three copiers and a phone system with monthly payments that ranging from \$161 to \$522. The last of these leases expires in June 2023.

Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2020	480,820
2021	596,208
2022	461,613
2023	333,812
2024	343,827
Thereafter	1,285,246

For the years ended June 30, 2019 and 2018, PCWC paid \$440,242 and \$319,155 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 was paid off during 2019 and was not renewed. As of June 30, 2019 and 2018, the outstanding balance was \$-0- and \$38,500, respectively.

(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, 2019 and 2018, was \$1,504,656 and \$1,648,803, 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, 2019 and 2018, was \$117,607 and \$119,445, respectively. The loan is shown net of unmodified loan issuance costs of \$746 and \$872 at June 30, 2019 and 2018, 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%. PCWC makes monthly payments of interest and principal of \$2,235. The maturity date of the loan is January 1, 2022. The outstanding loan balance at June 30, 2019 and 2018, was \$66,636 and \$88,254, respectively.

PCWC obtained a loan during 2018 from an organization which was collateralized by accounts receivable. The loan was payable in weekly payments of \$4,537, with an interest rate of 28%. The maturity date of the loan was November 2018. The outstanding balance of the loan at June 30, 2019 and 2018, was \$-0- and \$68,940, respectively.

In February 2015, PCWC obtained a program-related investment loan from an organization which was collateralized by equipment and a vehicle. The loan is payable in annual payments of \$28,872, with an interest rate of 5%. The maturity date of the loan is October 2021. The outstanding balance of the loan at June 30, 2019 and 2018 was \$77,034 and \$125,000, respectively.

In May 2017, PCWC obtained a second program-related investment loan from an organization which was collateralized by equipment. The loan is payable in annual payments of \$8,100, with an interest rate of 5%. The maturity date of the loan is October 2022. The outstanding balance of the loan at June 30, 2019 and 2018, was \$29,379 and \$35,000, respectively.

Future minimum cash payments are as follows:

2020	\$	57,210
2021		60,396
2022		51,955
2023		11,988
2024		2,440
Thereafter		<u>106,667</u>
	\$	<u>290,656</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, 2019 and 2018, PCWC received support from two entities that accounted for approximately 65% and 42% of total revenue, respectively.

(7) NET ASSETS WITH DONOR RESTRICTIONS:

	<u>2019</u>	<u>2018</u>
Time restrictions	\$ <u>70,000</u>	\$ <u>200,000</u>

(8) LIQUIDITY AND AVAILABILITY:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and equivalents	\$ 878,861	\$ -
Grants receivable, net	<u>1,067,776</u>	<u>901,936</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	\$ <u>1,946,637</u>	\$ <u>901,936</u>

PCWC manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability
- incurring unbudgeted costs only when such costs are funded
- maintaining adequate liquid assets to fund near-term operating needs

(9) PRIOR PERIOD ADJUSTMENT

In 2019, the PCWC discovered two loan obligations that were recorded as grant revenue. Accordingly, an adjustment of \$160,000 was made during 2019 to increase notes payable as of the beginning of fiscal year 2018. A corresponding entry was made to decrease the previously reported net assets. The fiscal year 2018 financial statements have been restated to reflect the increase in loan obligations.



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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, 2019, 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 January 8, 2020.

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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*

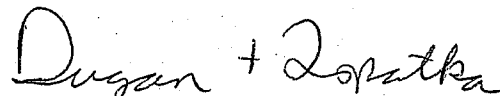
Page two

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*.

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
January 8, 2020

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, 2019. 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 complied, 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, 2019.

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

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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

Warrenville, Illinois
January 8, 2020

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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				\$ 283,563
Continuum of Care	14.267	Center for Housing and Health			<u>119,305</u>
					<u>402,868</u>
Community Development Block Grant	14.218	City of Chicago Dept. of Family and Supportive Services	80021		6,809
Community Development Block Grant	14.218	City of Chicago Dept. Family and Supportive Services	80022		4,652
Community Development Block Grant	14.218	City of Chicago Dept. Family and Supportive Services	67735		40,336
Community Development Block Grant	14.218	City of Chicago Dept. of Family and Supportive Services	67727		<u>49,689</u>
					<u>101,486</u>
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	67733		142,641
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	67734		95,812
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	67735		106,762
Emergency Solutions Grant	14.231	City of Chicago Dept. of Family and Supportive Services	85132		344,563
Emergency Solutions Grant	14.231	All Chicago			<u>16,315</u>
Total Emergency Solutions Grant					<u>706,093</u>
Section 8 Housing Choice Vouchers	14.871	City of Chicago Dept. of Family and Supportive Services	67726		<u>7,897</u>

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<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>
NSPR Rehabilitation Loan	14.276				<u>1,648,803*</u>
Total Department of Housing and Urban Development					<u>2,867,147</u>
Department of Health and Human Services:					
Department of Health and Human Services: MIECHV	93.870	Illinois Dept. of Human Services	8240849HV		<u>155,900</u>
Community Service Block Grant	93.569	City of Chicago Dept. of Family and Supportive Services	67732		129,336
Community Service Block Grant	93.569	City of Chicago Dept. of Family and Supportive Services	77038		188,650
Community Service Block Grant	93.569	City of Chicago Dept. of Family and Supportive Services	85147		<u>525,328</u>
					<u>843,314*</u>
Total Department of Health and Human Services					<u>999,214</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 3,866,361</u></u>

*Major program

PRIMO CENTER FOR WOMEN AND CHILDREN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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, 2019, and did not receive any federal non-cash awards during the year ended June 30, 2019. PCWC had an outstanding loan totaling \$1,504,656 as of June 30, 2019.

PRIMO CENTER FOR WOMEN AND CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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 no 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 are 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, 2019

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

There were no audit findings.

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

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

PART 4: SUMMARY SCHEDULE OF PRIOR FINDINGS -

2018-001

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: Corrected