

**LA CASA NORTE and
LCN Title Holding Corporation NFP**

**Consolidated Financial Statements
and Supplementary Information
(Including Reports Required by
OMB's Uniform Guidance)**

**For the Year Ended
December 31, 2020**

**LA CASA NORTE and
LCN Title Holding Corporation NFP**

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
La Casa Norte and LCN Title Holding Corporation NFP
Chicago, IL

We have audited the accompanying consolidated financial statements of La Casa Norte and LCN Title Holding Corporation NFP (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of LCN Title Holding Corporation NFP, a local affiliate, which statements reflect total assets of \$19,378,676 as of December 31, 2020 and total support and revenues of \$528,920 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LCN Title Holding Corporation NFP, is based solely on the report of other auditors. 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 *Governmental 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 consolidated 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 consolidated 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, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of La Casa Norte and LCN Title Holding Corporation NFP as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying consolidating supplementary information on Pages 24 through 26 and Schedule of Expenditures of Federal Awards on Page 27, 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, are presented for purposes of additional analysis and is not a required part of the basic combined 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 combined financial statements. This information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 September 27, 2021 on our consideration of La Casa Norte's and LCN Title Holding Corporation NFP'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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 La Casa Norte's and LCN Title Holding Corporation NFP's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited La Casa Norte's and LCN Title Holding Corporation NFP's consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Desmond & Ahern, Ltd

September 27, 2021
Chicago, IL

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020 (with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 1,384,222	\$ 119,315
Investments	41,717	14,567
Government contract receivables	830,879	587,874
Contributions receivable	426,002	64,470
Capital campaign contribution receivables	200	200
Other receivables	41,317	4,593
Prepaid expenses and deposits	40,335	32,982
Total current assets	<u>2,764,672</u>	<u>824,001</u>
Cash - restricted	832,843	2,500,091
Notes receivable	12,511,000	12,511,000
Property and equipment, net of accumulated depreciation	<u>19,300,952</u>	<u>19,888,374</u>
Total Assets	<u><u>\$ 35,409,467</u></u>	<u><u>\$ 35,723,466</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Line of credit	\$ 435,152	\$ 635,152
Notes payable, current portion	1,794,000	1,794,000
Accounts payable	103,009	255,748
Accrued payroll and related expenses	207,314	123,602
Client savings	659	659
Refundable advance - PPP	657,500	-
Refundable advance - other	35,741	308,103
Construction contract payable	-	1,507,684
Other construction cost payable	-	975
Total current liabilities	<u>3,233,375</u>	<u>4,625,923</u>
Notes payable, net of current portion	5,190,000	5,234,000
Mortgage notes payable	<u>18,349,890</u>	<u>18,338,776</u>
Total liabilities	<u>26,773,265</u>	<u>28,198,699</u>
Net Assets		
Without donor restrictions	6,156,017	5,620,418
With donor restrictions	<u>2,480,185</u>	<u>1,904,349</u>
Total net assets	<u>8,636,202</u>	<u>7,524,767</u>
Total Liabilities and Net Assets	<u><u>\$ 35,409,467</u></u>	<u><u>\$ 35,723,466</u></u>

See independent auditor's report and notes to financial statements.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<u>Public Support and Revenue</u>				
Government grants	\$ 4,050,956	\$ -	\$ 4,050,956	\$ 3,212,537
Foundation and corporate contributions	1,991,613	702,500	2,694,113	659,964
Individual contributions	540,807	9,124	549,931	471,606
Program service fees	7,679	-	7,679	2,621
Capital campaign contributions	-	-	-	46,521
Special Events				
Ticket revenue	-	-	-	39,968
Contributions	167,123	-	167,123	143,082
Donated goods	-	-	-	-
Less costs of direct benefits to donors	(37,299)	-	(37,299)	(87,093)
Net revenues from special events	129,824	-	129,824	95,957
Miscellaneous income	56,635	-	56,635	2,942
Rental income	247,895	-	247,895	45,335
Investment income	133,043	-	133,043	134,316
Net assets released from restriction				
Satisfaction of program restrictions	135,788	(135,788)	-	-
Total public support and revenue	7,294,240	575,836	7,870,076	4,671,799
<u>Expenses</u>				
Program Services				
Community and Supportive Services	677,941	-	677,941	751,706
Solid Ground	563,170	-	563,170	403,972
Youth in College	140,363	-	140,363	148,750
Palante	1,854,747	-	1,854,747	1,635,336
Casa Corazon	1,179,012	-	1,179,012	1,108,279
The Foundation Project	686,197	-	686,197	630,778
Total program services	5,101,430	-	5,101,430	4,678,821
Management and general expenses	1,208,984	-	1,208,984	1,335,880
Fundraising	448,227	-	448,227	391,410
Total expenses	6,758,641	-	6,758,641	6,406,111
Change in net assets	535,599	575,836	1,111,435	(1,734,312)
Net assets, beginning of year	5,620,418	1,904,349	7,524,767	9,259,079
Net assets, end of year	\$ 6,156,017	\$ 2,480,185	\$ 8,636,202	\$ 7,524,767

See independent auditor's report and notes to financial statements.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	Program Services							Management and General	Fundraising	2020 Total	2019 Total
	Community and Supportive Services	Solid Ground	Youth in College	Palante	Casa Corazon	The Foundation Project	Total				
Functional Expenses											
Salaries and benefits	\$ 555,585	\$ 393,815	\$ 102,413	\$ 492,499	\$ 853,698	\$ -	\$ 2,398,010	\$ 637,637	\$ 351,914	\$ 3,387,561	\$ 3,188,082
Total salaries, taxes and fringe benefits	555,585	393,815	102,413	492,499	853,698	-	2,398,010	637,637	351,914	3,387,561	3,188,082
Consultant and professional fees	17,327	10,262	2,881	146,330	23,360	39,000	239,160	203,105	40,642	482,907	611,348
Bank and credit card processing fees	-	-	-	-	-	-	-	15,532	3,067	18,599	15,463
Program expenses	25,988	11,847	2,576	33,451	23,638	-	97,500	2,547	15	100,062	124,722
Client rental assistance	-	24,945	-	1,027,222	550	-	1,052,717	-	-	1,052,717	955,520
Grants and scholarships	-	-	19,980	-	-	-	19,980	14,033	-	34,013	11,653
Supplies	487	528	-	-	1,133	-	2,148	7,636	541	10,325	15,540
Training and development	700	-	-	183	-	-	883	589	119	1,591	13,048
Meetings	295	50	51	23,856	404	-	24,656	5,455	136	30,247	16,449
Licenses, fees and permits	1,738	479	114	5,540	1,690	-	9,561	11,038	14,355	34,954	26,810
Occupancy	22,354	25,898	3,106	38,021	168,818	-	258,197	23,373	6,850	288,420	271,864
Insurance	14,181	7,842	2,138	22,539	16,737	-	63,437	7,001	4,001	74,439	63,266
Equipment and furniture, less than \$1,000	6,340	6,220	457	21,897	3,718	-	38,632	3,719	2,587	44,938	55,786
Maintenance and repairs	9,424	32,395	1,237	23,983	35,394	-	102,433	22,175	2,590	127,198	131,509
Postage and delivery	39	-	4	99	18	-	160	1,520	1,364	3,044	1,428
Printing and advertising	135	-	-	-	-	-	135	356	163	654	2,425
Fundraising and special events	-	-	-	-	-	-	-	343	9,060	9,403	54,533
Subscriptions and memberships	200	-	-	-	-	-	200	10,243	1,490	11,933	7,687
Travel	8,133	25	433	6,325	669	-	15,585	3,447	29	19,061	49,261
Miscellaneous	-	-	-	-	-	2,942	2,942	1,519	-	4,461	2,699
Interest	-	-	-	-	-	167,865	167,865	108,688	-	276,553	258,179
Volunteer expenses	-	-	-	-	-	-	-	-	-	-	1,067
Real estate taxes (refund)	-	-	-	-	-	-	-	-	-	-	(1,325)
Bad debt expense	-	-	-	-	-	-	-	90,760	-	90,760	53,228
	107,341	120,491	32,977	1,349,446	276,129	209,807	2,096,191	533,079	87,009	2,716,279	2,742,160
Total expenses before depreciation	662,926	514,306	135,390	1,841,945	1,129,827	209,807	4,494,201	1,170,716	438,923	6,103,840	5,930,242
Depreciation	15,015	48,864	4,973	12,802	49,185	476,390	607,229	38,268	9,304	654,801	475,869
Total Expenses	\$ 677,941	\$ 563,170	\$ 140,363	\$ 1,854,747	\$ 1,179,012	\$ 686,197	\$ 5,101,430	\$ 1,208,984	\$ 448,227	\$ 6,758,641	\$ 6,406,111

See independent auditor's report and notes to financial statements.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 1,111,435	\$ (1,734,312)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation of property and equipment	654,801	475,869
Amortization of debt issuance costs	11,114	27,785
Realized and unrealized (gain) loss on investments	(6,445)	(3,946)
Donated securities	(20,705)	(112,252)
Proceeds from sales of donated securities	-	130,872
Capital campaign contributions	-	(46,521)
(Increase) decrease in assets		
Government grants receivable	(243,005)	4,396
Contributions receivables	(361,532)	268,801
Other receivables	(36,724)	(1,429)
Prepaid expenses and deposits	(7,353)	17,231
Increase (decrease) in liabilities		
Accounts payable	(152,739)	112,709
Accrued payroll and related	83,712	40,333
Construction contract payable	(1,507,684)	(978,993)
Other construction cost payable	(975)	(85,694)
Refundable advance	(272,362)	95,656
Net cash (used in) operating activities	<u>(748,462)</u>	<u>(1,789,495)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	<u>(67,379)</u>	<u>(1,032,031)</u>
Net cash (used in) investing activities	<u>(67,379)</u>	<u>(1,032,031)</u>
<u>Cash Flows from Financing Activities</u>		
Payments of principal on notes payable	(44,000)	(22,000)
Payments of debt issuance costs	-	(439,009)
Borrowings on line of credit	-	305,000
Payments on line of credit	(200,000)	-
Proceeds from paycheck protection loan	657,500	-
Cash received - capital campaign	-	47,421
Net cash provided by (used in) financing activities	<u>\$ 413,500</u>	<u>\$ (108,588)</u>

See independent auditor's report and notes to financial statements.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Net decrease in cash and cash equivalents	\$ (402,341)	\$ (2,930,114)
Cash and cash equivalents, beginning of year	<u>2,619,406</u>	<u>5,549,520</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,217,065</u></u>	<u><u>\$ 2,619,406</u></u>
Supplemental Cash Flow Information		
Cash paid for interest	<u><u>\$ 265,439</u></u>	<u><u>\$ 361,112</u></u>
Cash and Cash Equivalents		
Cash	\$ 1,384,222	\$ 119,315
Cash - restricted		
Client savings	659	659
Construction - reserves	95,582	89,926
Construction	282,031	1,954,942
Capital campaign	2,200	2,750
Line of credit - reserves	<u>452,371</u>	<u>451,814</u>
	<u><u>\$ 2,217,065</u></u>	<u><u>\$ 2,619,406</u></u>

See independent auditor's report and notes to financial statements.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

The accompanying financial statements reflect the consolidated operations of La Casa Norte and LCN Title Holding Corporation NFP (collectively referred to as the Organizations).

La Casa Norte (LCN) is a not-for-profit organization whose mission is to serve youth and families confronting homelessness by providing access to stable housing and deliver comprehensive services that act as a catalyst to transform lives and communities.

LCN Title Holding Corporation NFP (LCNTHC), an Illinois not for corporation formed on January 29, 2016 and operates exclusively for the charitable purpose of holding title to or leasehold interest in property and collecting residential and commercial rental income from that property, remitting income, less expenses to La Casa Norte.

A majority of the board of directors of LCNTHC is comprised of board members and senior management of LCN. As such, it is considered to be controlled by LCN. It serves as the leverage lender for LCN's New Markets Tax Credit (NMTC) transaction (see Note 8).

The following programs are included in the accompanying consolidated financial statements:

The Community & Supportive Services Program (formerly the Crisis Center) provides free, accessible, bilingual and culturally appropriate case management and housing advocacy services to families, unaccompanied youth and single individuals who are homeless or at risk of becoming homeless. The Community & Supportive Services Program staff work in partnership with clients to obtain and maintain housing stability. Its primary subprograms included La Casa Norte's rapid re-housing program, its Illinois DCFS client housing stabilization program and LCN's homeless prevention program. The Organization also manages the Northwest Food Partners Network focused on eliminating hunger.

The Solid Ground Supportive Housing Program provides safe, stable housing for homeless male youth, age 16 to 21. Youth can live at Solid Ground for up to two years, during which time they benefit from comprehensive case management services focusing on a holistic, strength-based approach provided within a trauma informed care and transformative justice model.

Youth in College provides housing, support and academic services to full time college students who are experiencing homelessness. LCN also established the More Than Ever Education scholarship fund providing scholarships for program students.

La Casa Norte's Palante Supportive Housing Program is a scattered site permanent housing initiative which provides chronically homeless youth and families with long-term stable housing. Clients housed in the program are provided with both housing subsidies and supportive services. Support services include case management, therapy, nutrition education, and referrals to a range of additional services such as health care, substance abuse treatment, mental health, childcare, legal assistance, work force development services, and educational programming.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Casa Corazon is LCN's unaccompanied homeless youth outreach and engagement project which focuses on connecting homeless youth to services. This program provides street outreach, drop-in centers and comprehensive case management services to youth (including pregnant and parenting women) and emergency overnight shelter beds for homeless youth between 18 and 24 years of age.

The Foundation Project is LCN's newest capital facility that includes onsite supportive housing, a healthcare and nutrition center and a drop-in program all for youth and families experiencing homelessness. The organization conducted an extensive capital campaign over multiple years and the financial closing occurred in June 2017 with construction beginning immediately thereafter. The completion date was January 2019 at which time, LCN began to occupy the property and begin to provide program services from this additional location.

Consolidated Financial Statements

The accompanying financial statements reflect the consolidation of the financial statements of La Casa Norte and LCN Title Holding Corporation NFP. All material inter-organization accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, accounts payable and other liabilities in accordance with U.S. Generally Accepted Accounting Principles.

Basis of Presentation

The Organizations reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the Organization.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Expirations of net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

LCNTHC was formed on January 29, 2016. The accompanying consolidated financial statements reflect the activities for the period from January 1, 2020 through December 31, 2020. The Company's program services are all related to program which is to make Qualified Low-Income Community Investments ("QLICLs") throughout its service area or other activities which qualify for NMTCS; therefore, all expenses reported in the financial statements are related to that program. The Company has no general and administrative expenses as of December 31, 2020.

Income Tax Status

La Casa Norte was granted exemptions from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and have been classified as an Organizations that are not private foundations under Section 509(a)(1). LCNTHC was granted exemptions from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(2). The tax-exempt purpose of the Organizations and the nature in which they operate are described above.

Management's assertion is that there are no uncertain tax positions and the Organizations continue to operate in compliance with their tax-exempt purpose. The Organizations' annual informational and income tax returns filed with the federal and state governments are subject to examination generally three years after they are filed.

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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. The accounts may at times, exceed the federally insured limit of \$250,000

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

For purposes of the Statement of Cash Flows, the Organizations considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are netted and reflected in the Consolidated Statements of Activities. No investment fees were recognized for the year ended December 31, 2020.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. The Organizations provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and building improvements	15 - 40 years
Furniture and computer equipment	3 - 7 years
Transportation equipment	5 years

Impairment of Long-Lived Assets

The Organizations review their rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2020.

Government Contract and Contributions Receivable

Accounts receivable are related to grants and contributions from government and private funding sources, and client rental assistance. The Organization records an allowance for doubtful accounts based on specifically identified amounts that are not certain to be collected. The Organization deems no allowance for uncollectible accounts necessary as of December 31, 2020.

Support and Revenue

The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organizations reports the support as unrestricted.

The Organizations report gifts of land, buildings, and equipment as without restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Government Contributions

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. As of December 31, 2020, the Organization has \$35,741 in refundable advances derived from cost-reimbursable federal and state grants.

Contract Revenue

The Organization recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. There is currently one type of contract that the Organization is engaged, which is based on performance reporting. Due to the nature and varying performance obligations of these contracts, the timing and methods of recognizing revenue from these contracts will vary. All contracts recognize revenue in accordance with ASU No. 2014-09 and prior year revenues have been retrospectively adjusted. There was no contract revenue recorded in 2020 for any performance obligations met in the prior year.

For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Organization will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Organization recognizes revenue when the performance obligations are met and delivered to the customer. The Organization had no contracts during 2020 that were performance reporting contracts. There are no contract assets or liabilities.

Donated Services

Contributed services are recognized at fair market value if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the current year, the Organizations did not receive any donated services meeting these criteria.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

In-Kind Contributions

In addition to receiving cash contributions, the Organizations may, at times, receive in-kind contributions from various donors. It is the policy of the Organizations to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. During the current year, the Organizations did not receive any in-kind contributions meeting this criterion.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements also report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, office & occupancy, and salaries & benefits, which are allocated on the basis of estimates of time & effort.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate related to the loan. In prior years, the Company incurred costs in relation to financing totaling \$439,009. These costs, mainly legal fees, were incurred as part of due diligence to obtain financing for the Company.

Concentration of Risk

During the year ended December 31, 2020, the Organizations received approximately 50% of its funding from four donors. Following is a breakdown by funding agency of the portion of the Organization’s revenue for the year ending December 31, 2020 and the percentage of government receivables at December 31, 2020:

	<u>% of Total Revenue</u>	<u>% of Government Receivables</u>
U.S. Department of Housing and Urban Development	20%	12%
Illinois Department of Human Services	10%	19%
City of Chicago		
Department of Children and Family Services	3%	6%
Department of Family and Supportive Services	17%	47%
	<u>50%</u>	<u>85%</u>

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information. 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 the Organization's financial statements for the year ending December 31, 2019, from which the summarized information was derived.

Reclassifications

Certain amounts previously reported in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Restricted Cash

IFF Fee and Expense Reserve Account

In accordance with the loan agreement, LCNTHC is to establish and maintain a separate account in the initial amount of \$316,200 for the purpose of paying the IFF Asset Management Fee and reimbursement of audit and tax preparation expenses. As of December 31, 2020, the balance in the IFF fee and expense reserve account was \$171,571.

CDF Interest Reserve Account

In accordance with the loan agreement, LCNTHC is to establish and maintain a separate account in the amount of \$220,500 with the lender for the purpose of paying a portion of the interest related to the CDF loan, pay the CDF asset management fee, and to pay the CDF managing member \$12,500 for tax and audit expenses. As of December 31, 2020, the balance in the CDF interest reserve account was \$110,460.

Leverage Lender Operating Account

As of December 31, 2020, the balance in the LCN Leverage Lender Operating account was \$5,657. The purpose of the account is to be used for the financing/sourcing of the Project.

LCN Replacement Reserve

In accordance with the loan agreement with the City of Chicago, LCN is to establish and maintain a separate account in the initial amount of \$37,500 for the purpose of long-term capital investment projects or other large and anticipated expenses that will be incurred in the future. As of December 31, 2020, the balance in the LCN Replacement Reserve account was \$37,515.

LCN Operating Reserve

In accordance with the City of Chicago Loan Agreement, LCN is to establish and maintain a separate account in the initial amount of \$52,410 for the purpose of setting aside funds to stabilize the Organizations for unexpected cash flow shortages, expenses, or losses. As of December 31, 2020, the balance in the LCN Operating Reserve account was \$52,410.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

LCN Line of Credit Bank Deposit Reserve

In accordance with the loan agreement, to secure the line of credit, LCN had to establish and maintain a depository account to secure payment of all loans and any interest. As of December 31, 2020 the balance in this account was \$452,371.

Client Savings Account

As of December 31, 2020, \$659 was maintained on behalf of clients.

Capital Campaign Cash

As of December 31, 2020, \$2,200 is restricted for the redevelopment capital project.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through September 27, 2021, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Note 2 – Financial Assets and Liquidity Resources

As of December 31, 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets and liquidity resources at December 31,	2020
Cash and cash equivalents, net of restricted cash	\$ 1,384,222
Investments	41,717
Government contract and contributions receivable	1,298,398
Liquidity resources - line of credit	314,848
Total financial assets and liquidity resources	3,039,185
Less net assets with donor restrictions	(2,480,185)
Total financial assets available within one year	\$ 559,000

LCN provides various contractual program services from which it receives city, state and federal reimbursement as well as significant unrestricted and restricted gift pledges and contributions from individual, corporation and foundation donors; and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general operating purposes. The organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 2 – Financial Assets and Liquidity Resources (cont.)

reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. During the year ended December 31, 2020 the level of liquidity and reserves was managed within the policy requirements.

Note 3 – Refundable Advances

At December 31, 2020, refundable advances of \$35,741 is composed of U.S. Department of Housing and Urban Development. These advances are conditional upon future program expenditures as prescribed by the funders or approved for carryover.

Note 4 – Investments and Fair Value Measurements

Generally Accepted Accounting Principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Associations’ principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing. This a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities’ relationship to other benchmark quoted securities (Level 2 inputs).

The following summarizes that classifications of investments at December 31, 2020, by classification and method of valuation in accordance with the above definitions:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 41,717	\$ -	\$ -	\$ 41,717

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 4 – Investments and Fair Value Measurements (cont.)

Equities – Valued at the closing price reported on the active market on which the individual securities are traded.

Note 5 – Investments

Investment income consists of the following components for the year ended December 31, 2020:

Interest and dividends	\$ 126,598
Unrealized gain	6,445
	<u>\$ 133,043</u>

Note 6 – Property and Equipment

The Organizations' property and equipment at December 31, 2020 are as follows:

Land	\$ 726,605
Buildings and improvements	19,152,197
Furniture and computer equipment	1,359,183
	<u>21,237,985</u>
Accumulated depreciation	<u>(1,937,033)</u>
Net property and equipment	<u>\$ 19,300,952</u>

Depreciation expense amounted to \$654,801 for the year ended December 31, 2020.

Note 7 – Construction Contract

During 2017, LCNTHC entered into a construction contract agreement with Power and Sons Construction Company to perform structure and site improvement on the property. The original amount of the contract was \$14,678,000. Change orders amount to \$507,139 resulting in a total contract of \$15,185,139. Construction costs incurred for the period ended December 31, 2020 amounted to \$15,185,139 and are included in real estate, net on the accompanying consolidated statement of financial position. As of December 31, 2020, no amounts remains payable. The construction contract is guaranteed by the Sponsor.

Note 8 – Mortgage Notes Payable

In June 2017, LCNTHC obtained financing in an arrangement structured under the NMTC program. This program was enacted by Congress as part of the Community Renewal Tax Relief Act of 2000. Essentially, this program permits individual and corporate taxpayers to receive a credit for making Quality Equity Investments (QEIs) in qualified Community Development Entities (CDEs). LCNTHC has obtained financing from three separate CDEs to fund the construction of its new facility.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 8 – Mortgage Notes Payable (cont.)

Under IRS guidelines for the NMTC program, the Organizations were required to provide investment funding through a separate legal entity (leveraged lender) into the QEI funds. For this reason, Pierce House Investment Fund, LLC was created to provide partial funding into the QEI (see Note 9).

The taxpayers who invested in the QEIs funds may claim a tax credit related to their investment over a seven-year credit period (also referred to as a the “Compliance Period”). During the Compliance Period, only interest is paid. Once the Compliance Period ends, there is a put and call agreement between the NMTC investors at both the state and federal level and the leverage lender Pierce House Investment Fund, LLC. The NMTC investors may put their ownership interests in the QEI funds to Pierce House Investment Fund, LLC for \$1,000. If the NMTC investors do not exercise their put option, Pierce House Investment Fund, LLC has the ability to call the ownership in the interest in the

QEI funds for fair market value. It is anticipated that the NMTC investors will put their options and Pierce House Investment Fund, LLC would then own the QEI funds. Pierce House Investment Fund, LLC would then forgive LCNTHC notes payable, resulting in no outstanding debt at that point in time and a benefit of equity from the NMTC program may be recognized.

The loan agreement, dated June 27, 2017, is among LCNTHC, PNC CED 71, LP; IFF Capital 24 LLC; and CDF Suballocatee XXXI, LLC in the form of 6 different promissory notes (as noted below), for a combined amount of \$18,750,000. The notes bear a fixed rate of interest equal to .836% per annum, commencing on September 1, 2017, quarterly payments of interest in the amount of \$39,188 shall be payable until March 1, 2025, unless the principal balance is paid before the loan maturity date. Beginning March 1, 2025 through the maturity date of December 13, 2056, quarterly principal and interest payments are due in accordance with the amortization schedule. The loan is collateralized by real estate held for lease and an assignment of rents and leases.

The amount outstanding at December 31, 2020 was \$18,750,000 and consist of the following notes less unamortized debt issuance costs:

<u>PNC CDE 71, LP</u>		<u>IFF Capital 24 LLC</u>		<u>CDF Suballocatee XXXI, LLC</u>		<u>Total Balance</u>	
<u>Note</u>	<u>Balance</u>	<u>Note</u>	<u>Balance</u>	<u>Note</u>	<u>Balance</u>		
A	\$ 2,271,500	A	\$ 4,074,000	A	\$ 6,165,500	\$ 12,511,000	
B	1,228,500	B	1,866,000	B	3,144,500	6,239,000	
Total	<u>\$ 3,500,000</u>	Total	<u>\$ 5,940,000</u>	Total	<u>\$ 9,310,000</u>	18,750,000	
						Less: unamortized debt issuance costs	(400,110)
						Mortgage notes payable, net	<u>\$ 18,349,890</u>

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 9 – Asset Management Fees

IFF Sub-CDE Asset Management Fee

In accordance with this loan agreement, LCNTHC is to pay an asset management fee to CDF Management LLC in the amount of \$39,000 per year until June 27, 2024. As of December 31, 2020, asset management fees of \$39,000 were incurred and expensed and are included on the accompanying Statement of Financial Position as property and equipment, net. As of December 31, 2020, no asset management fees remain payable.

Note 10 – Note Payable

As of December 31, 2020, notes payable consist of the following items:

PNC Bank

On June 27, 2017, LCN obtained a \$3,500,000 TIF Bridge Loan from PNC Bank with an interest rate of 4.25% maturing on December 27, 2024. Quarterly interest only payments are due starting September 15, 2017. During 2018, the City of Chicago paid the first installment of \$1,750,000 against this loan as a TIF payment.

\$ 1,750,000

On June 27, 2017, LCN obtained a \$1,100,000 Term Loan from PNC Bank with an interest rate of 4.25%. Interest only payments are due from September 15, 2017 through June 15, 2019. Beginning September 15, 2019, the loan terms require quarterly principal payments of \$11,000 plus interest payments of 4.25% of outstanding balance. Final payment of \$858,000 is due on December 15, 2024.

1,034,000

City of Chicago

On June 27, 2017, LCN obtained a \$4,200,000 non-interest bearing loan from the City of Chicago. The entire principal balance outstanding, unless forgiven pursuant to Section 3.04 or Section 3.06(b) of the Loan Agreement, together with any other sums due under and of the Loan Documents, due and payable in full on June 1, 2064.

4,200,000

6,984,000

(1,794,000)

Less short term - notes payable

Long term - notes payable

\$ 5,190,000

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 10 – Note Payable (cont.)

Future maturities of long-term debt at December 31, 2020 are estimated as follows:

<u>Year Ending</u>	
2021	\$ 1,794,000
2022	44,000
2023	44,000
2024	902,000
2025	-
Thereafter	4,200,000
	<u>\$ 6,984,000</u>

Interest expense at December 31, 2020 amounted to \$108,688.

Note 11 – Notes Receivable

In June 2017, LCN loaned money in connection with the financing obtained through the NMTC program. The note receivable is from the Qualified Equity Investments (QEI) fund linked to the Organization’s financing obtained using the NMTC program (see Note 6 for further information related to the NMTC program). The note receivable of \$12,511,000 is with Pierce House Investment Fund, LLC. Interest rate of 1% payable quarterly effective September 10, 2017. First amortization payment of principal and interest will begin on March 10, 2025. As of December 31, 2020, \$125,110 of interest income was received and recorded in the Consolidated Statement of Activities.

The first seven years of the notes are defined as the “compliance period.” During the compliance period, only interest is paid. After the compliance period, there are put and call agreements between LCNTHC and the other investors in the QEI funds. If the other investors do not exercise their put options, LCNTHC has the ability to call the ownership in the interest in the QEI funds for fair market value. It is anticipated that the NMTC investors will put their option and LCNTHC will own the QEI funds at the end of the compliance period. However, if the other investors do not put in their interest, management plans to exercise its option to call. Collection is fully expected and accordingly, no allowance has been provided for on these notes (see Note 6 for additional information related to the NMTC transaction).

Note 12 – Line of Credit

LCN maintains a \$750,000 line of credit with PNC Bank expiring on August 19, 2022. As of December 31, 2020, \$435,152 was borrowed and is outstanding on the line. The line is secured by the general assets of LCN as well as a deposit account explained in Note 1. Interest is computed at prime rate minus fifty basis points, adjusted daily.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 13 – Related Party Transactions

Property Lease Commitment

LCNTHC and LCN have entered into a net lease agreement dated June 17, 2017. The term of the lease commenced on July 1, 2018 and expires on December 1, 2047. LCN began to occupy the property in January 2019 when the construction was completed.

LCN is to pay LCNTHC basic rent for the property in quarterly installment amounts beginning September 1, 2018. The initial quarterly installment amount is \$35,500 and is payable through December 1, 2023. Beginning March 1, 2024, and on each quarterly due date thereafter through December 1, 2024, the amount is \$46,250. Beginning March 1, 2025, and on each quarterly due date thereafter through December 1, 2025, the amount is \$112,500. Beginning March 1, 2026, and on each quarterly due date thereafter through December 1, 2026, the amount is \$116,000. Afterwards, the basic rent escalates by 3% each year until the end of the term.

The lease is a triple net lease and in addition to the basic rent, LCN shall pay all costs and expenses of the property, including real estate taxes, insurance, maintenance and utilities.

During the year ended December 31, 2020, LCN owed rent of \$142,000 to LCNTHC with \$58,760 still payable at December 31, 2020 which was eliminated as an inter-organization transaction on the Consolidated Statement of Activities and the Consolidated Statement of Functional Expenses.

Future minimum rental payments are as follows:

<u>Year Ending</u>	
2021	\$ 142,000
2022	142,000
2023	142,000
2024	185,000
2025	450,000
Thereafter	14,169,066
	<u>\$ 15,230,066</u>

The amounts above do not include any additional rent for leases which may require pass-through of operating expenses.

Note 14 – Commitments and Contingencies

LCN entered into a contract with Howard Brown Health Center effective April 1, 2019 to rent exclusive space as well as certain shared space until March 31, 2029. LCN will receive monthly payments commencing April 1, 2019 of \$3,484 increasing yearly to \$4,161 in the final year.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 14 – Commitments and Contingencies (cont.)

Future minimum rent to be received is as follows:

<u>Year Ending</u>	
2021	\$ 43,280
2022	44,145
2023	45,015
2024	45,913
2025	46,832
Thereafter	158,667
	<u>\$ 383,852</u>

Note 15 – Net Assets with Donor Restrictions

Net assets with donor purpose restrictions are comprised of the following at December 31, 2020:

Redevelopment Capital Project	\$ 1,196,616
Federal Home Loan Bank Grant	128,000
U.S. Department of Housing and Urban Development	120,000
City of Chicago - Department of Housing	92,268
Solid Ground	790
Tiny Homes	55,503
Community and Supportive Services	65,242
MTE Education Fund	121,766
Jiill Weiner Scholarship Fund	250,000
Time restricted contributions	450,000
	<u>\$ 2,480,185</u>

The Federal Home Loan Bank granted the Organization a \$128,000 grant during 2006 to be used in the rehabilitation of the Solid Ground Supportive Housing building. The Organization must comply with the Affordable Housing Program (AHP) regulations to maintain the AFP Subsidy for the 15-year term ending October 31, 2021. If the Organization is in non-compliance with the AHP subsidy, they may have to repay the Federal Home Loan Bank, including interest. The Organization was in compliance with applicable regulations at December 31, 2020.

On December 1, 2004, the U.S. Department of Housing and Urban Development granted the Organization \$200,000 for the rehabilitation of the Solid Ground Supportive Housing building. The grant need not be repaid as long as the Organization continues to operate as supportive housing for at least 20 years after the supportive housing project is placed in service. If the property is used as supportive housing for more than ten years, but less than 20 full years, HUD shall reduce the percentage of the amount required to be repaid by 10% for each full year in excess of ten years that the property is used as supportive housing. During 2020, the grant repayment obligation was reduced

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 15 – Net Assets with Donor Restrictions (cont.)

by the allowed 10% (\$20,000), leaving the restricted balance of \$120,000 at December 31, 2020. The Organization is in compliance with the award as of December 31, 2020.

The City of Chicago – Department of Housing originally granted the Organization \$307,560. The funds were used in conjunction with the rehabilitation of the Solid Ground Supportive Housing building. The building consists of 16 single room occupancy units required to be occupied by previously homeless individuals whose adjusted annual incomes at initial occupancy do not exceed 30 percent of the median family income for the Chicago area as determine by HUD. The Organization’s obligation to repay the grant shall be reduced annually by 5 percent of the amount of the grant for 20 consecutive years commencing on the first anniversary of the closing date of the rehabilitation project and on each anniversary thereafter. The first anniversary of the closing date of the rehabilitation project was October 2007. During 2020, the grant repayment obligation was again reduced by the allowed 5% (\$15,378), leaving the temporarily restricted balance of \$92,268 at December 31, 2020.

Note 16 – Paycheck Protection Loan

In April 2020, the Organization received loan proceeds in the amount of \$657,500 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Council has used the proceeds for purposes consistent with the PPP and elected to follow ASC 958-605 and record the loan as a refundable advance where once forgiveness conditions are substantially met or explicitly waived, the entity would reduce the refundable advance and record a contribution for the amount forgiven. As of December 31, 2020, the Organization has elected to leave the \$657,500 as a refundable advance until the loan is explicitly waived. Subsequent to year end, \$622,626 of the loan and \$7,800 of interest was forgiven leaving the remaining \$34,074 plus accrued interest to be paid back.

SUPPLEMENTARY INFORMATION

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2020

	La Casa Norte	LCN Title Holding Corporation, NFP	Eliminations	Consolidated Totals
<u>Assets</u>				
Current Assets				
Cash	\$ 1,384,213	\$ 9	\$ -	\$ 1,384,222
Investments	41,717	-	-	41,717
Government contract receivables	830,879	-	-	830,879
Contribution receivables	426,002	-	-	426,002
Capital campaign contribution receivables	200	-	-	200
Other receivables	41,317	-	-	41,317
Prepaid expenses and deposits	40,335	-	-	40,335
Deferred rent asset and rent receivable	-	1,024,528	(1,024,528)	-
Total current assets	2,764,663	1,024,537	(1,024,528)	2,764,672
Cash - restricted	550,812	282,031	-	832,843
Notes receivable	12,511,000	-	-	12,511,000
Net property and equipment	1,228,844	18,072,108	-	19,300,952
Total Assets	\$ 17,055,319	\$ 19,378,676	\$ (1,024,528)	\$ 35,409,467
<u>Liabilities and Net Assets</u>				
Current Liabilities				
Line of credit	\$ 435,152	\$ -	\$ -	\$ 435,152
Notes payable, current portion	1,794,000	-	-	1,794,000
Accounts payable	99,108	3,901	-	103,009
Accrued payroll and related expenses	207,314	-	-	207,314
Client savings	659	-	-	659
Refundable advance - PPP	657,500	-	-	657,500
Refundable advance - other	35,741	-	-	35,741
Deferred rent liability and rent payable	1,024,528	-	(1,024,528)	-
Total current liabilities	4,254,002	3,901	(1,024,528)	3,233,375
Note payable, net of current portion	5,190,000	-	-	5,190,000
Mortgage notes payable, long-term	-	18,349,890	-	18,349,890
Total Liabilities	9,444,002	18,353,791	(1,024,528)	26,773,265
Net Assets				
Without donor restrictions	5,131,132	1,024,885	-	6,156,017
With donor restrictions	2,480,185	-	-	2,480,185
Total net assets	7,611,317	1,024,885	-	8,636,202
Total Liabilities and Net Assets	\$ 17,055,319	\$ 19,378,676	\$ (1,024,528)	\$ 35,409,467

See independent auditor's report and notes to financial statements.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	La Casa Norte		LCN Title Holding		Consolidated Totals		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Eliminations	Without Donor Restrictions	With Donor Restrictions	Consolidated Total
Public Support and Revenue							
Government grants	\$ 4,050,956	\$ -	\$ -	\$ -	\$ 4,050,956	\$ -	\$ 4,050,956
Foundation and corporate contributions	1,991,613	702,500	-	-	1,991,613	702,500	2,694,113
Individual contributions	540,807	9,124	-	-	540,807	9,124	549,931
Program service fees	7,679	-	-	-	7,679	-	7,679
Special Events							
Contributions	167,123	-	-	-	167,123	-	167,123
Less costs of direct benefits to donors	(37,299)	-	-	-	(37,299)	-	(37,299)
Net revenues from special events	129,824	-	-	-	129,824	-	129,824
Miscellaneous income	56,635	-	-	-	56,635	-	56,635
Rental income	247,895	-	528,307	(528,307)	247,895	-	247,895
Investment income	132,430	-	613	-	133,043	-	133,043
Net assets released from restriction							
Satisfaction of program restrictions	135,788	(135,788)	-	-	135,788	(135,788)	-
Total public support and revenue	7,293,627	575,836	528,920	(528,307)	7,294,240	575,836	7,870,076
Expenses							
Program Services							
Community and Supportive Services	677,941	-	-	-	677,941	-	677,941
Solid Ground	563,170	-	-	-	563,170	-	563,170
Youth in College	140,363	-	-	-	140,363	-	140,363
Palante	1,854,747	-	-	-	1,854,747	-	1,854,747
Casa Corazon	1,179,012	-	-	-	1,179,012	-	1,179,012
LCN Title Holding Corporation	-	-	686,197	-	686,197	-	686,197
Total program services	4,415,233	-	686,197	-	5,101,430	-	5,101,430
Management and general expenses	1,737,291	-	-	(528,307)	1,208,984	-	1,208,984
Fundraising	448,227	-	-	-	448,227	-	448,227
Total expenses	6,600,751	-	686,197	(528,307)	6,758,641	-	6,758,641
Change in net assets	692,876	575,836	(157,277)	-	535,599	575,836	1,111,435
Net assets, beginning of year	4,438,256	1,904,349	1,182,162	-	5,620,418	1,904,349	7,524,767
Net assets, end of year	\$ 5,131,132	\$ 2,480,185	\$ 1,024,885	\$ -	\$ 6,156,017	\$ 2,480,185	\$ 8,636,202

See independent auditor's report and notes to financial statements.

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services							Management and General	Eliminations	Total Management and General	Fundraising	Consolidated Totals
	Community and Supportive Services	Solid Ground	Youth in College	Palante	Casa Corazon	LCN Title Holding Corporation	Total					
Functional Expenses												
Salaries and benefits	\$ 555,585	\$ 393,815	\$ 102,413	\$ 492,499	\$ 853,698	\$ -	\$ 2,398,010	\$ 637,637	\$ -	\$ 637,637	\$ 351,914	\$ 3,387,561
Total salaries, taxes and fringe benefits	555,585	393,815	102,413	492,499	853,698	-	2,398,010	637,637	-	637,637	351,914	3,387,561
Consultant and professional fees	17,327	10,262	2,881	146,330	23,360	39,000	239,160	203,105	-	203,105	40,642	482,907
Bank and credit card processing fees	-	-	-	-	-	-	-	15,532	-	15,532	3,067	18,599
Program expenses	25,988	11,847	2,576	33,451	23,638	-	97,500	2,547	-	2,547	15	100,062
Client rental assistance	-	24,945	-	1,027,222	550	-	1,052,717	-	-	-	-	1,052,717
Grants and scholarships	-	-	19,980	-	-	-	19,980	14,033	-	14,033	-	34,013
Supplies	487	528	-	-	1,133	-	2,148	7,636	-	7,636	541	10,325
Training and development	700	-	-	183	-	-	883	589	-	589	119	1,591
Meetings	295	50	51	23,856	404	-	24,656	5,455	-	5,455	136	30,247
Licenses, fees and permits	1,738	479	114	5,540	1,690	-	9,561	11,038	-	11,038	14,355	34,954
Occupancy	22,354	25,898	3,106	38,021	168,818	-	258,197	551,680	(528,307)	23,373	6,850	288,420
Insurance	14,181	7,842	2,138	22,539	16,737	-	63,437	7,001	-	7,001	4,001	74,439
Equipment and furniture, less than \$1,000	6,340	6,220	457	21,897	3,718	-	38,632	3,719	-	3,719	2,587	44,938
Maintenance and repairs	9,424	32,395	1,237	23,983	35,394	-	102,433	22,175	-	22,175	2,590	127,198
Postage and delivery	39	-	4	99	18	-	160	1,520	-	1,520	1,364	3,044
Printing and advertising	135	-	-	-	-	-	135	356	-	356	163	654
Fundraising and special events	-	-	-	-	-	-	-	343	-	343	9,060	9,403
Subscriptions and memberships	200	-	-	-	-	-	200	10,243	-	10,243	1,490	11,933
Travel	8,133	25	433	6,325	669	-	15,585	3,447	-	3,447	29	19,061
Miscellaneous	-	-	-	-	-	2,942	2,942	1,519	-	1,519	-	4,461
Interest	-	-	-	-	-	167,865	167,865	108,688	-	108,688	-	276,553
Bad debt expense	-	-	-	-	-	-	-	90,760	-	90,760	-	90,760
	107,341	120,491	32,977	1,349,446	276,129	209,807	2,096,191	1,061,386	(528,307)	533,079	87,009	2,716,279
Total expenses before depreciation	662,926	514,306	135,390	1,841,945	1,129,827	209,807	4,494,201	1,699,023	(528,307)	1,170,716	438,923	6,103,840
Depreciation	15,015	48,864	4,973	12,802	49,185	476,390	607,229	38,268	-	38,268	9,304	654,801
Total Expenses	\$ 677,941	\$ 563,170	\$ 140,363	\$ 1,854,747	\$ 1,179,012	\$ 686,197	\$ 5,101,430	\$ 1,737,291	\$ (528,307)	\$ 1,208,984	\$ 448,227	\$ 6,758,641

See independent auditor's report and notes to financial statements.

**REPORTS REQUIRED BY
OMB'S UNIFORM GUIDANCE**

LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Contract Number	Passed Through to Subrecipients	Disbursements or Expenditures
U.S. Department of Housing and Urban Development				
Continuum of Care Program	14.267	IL0205L5T101	\$ -	\$ 84,794
	14.267	IL0573L5T101	-	184,435
	14.267	IL0499L5T101	-	299,674
	14.267	IL0463L5T101	-	148,681
	14.267	IL0594L5T101	-	404,755
	14.267	IL0666L5T101	-	306,608
			-	(1) 1,428,947
Passed through				
City of Chicago Department of Planning and Development Community Development Block Grants/Entitlement Grants	14.218	50217	-	13,307
City of Chicago Department of Family and Support Services Community Development Block Grants/Entitlement Grants	14.218	31152	-	28,536
			-	41,843
City of Chicago Department of Family and Support Services Section 8 Housing Choice Vouchers	14.871	99975	-	47,453
Emergency Fund Emergency Solutions Grants Program	14.231	31544	-	181,492
Total U.S. Department of Housing and Urban Development			-	1,699,735
U.S. Department of Health and Human Services				
Passed through				
Illinois Department of Children and Family Services MaryLee Allen Promoting Safe and Stable Families	93.556	405693	-	181,548
John H. Chafee Foster Care for Successful Transition to Adulthood Program	93.674	405693	-	83,489
Total U.S. Department of Health and Human Services			-	265,037
U.S. Department of Homeland Security				
Passed through				
United Way Metro Chicago Emergency Food and Shelter National Board Program	97.024	LRO #237800-200	-	9,600
Total U.S. Department of Homeland Security			-	9,600
Total Expenditures of Federal Awards			\$ -	\$ 1,974,372

(1) Major Program

**LA CASA NORTE and LCN TITLE HOLDING CORPORATION NFP
CONSOLIDATED NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
December 31, 2020**

Note 1 – Basis of Presentation

The accompanying Consolidated Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal grant activity of La Casa Norte and LCN Title Holding Corporation NFP under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of *Title 2 US. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of La Casa Norte, it is not intended to and does not present the financial position, changes in net assets or cash flows of La Casa Norte.

Note 2 – 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 *2 CFR Part 230 – Cost Principles for Non-Profit Organizations (OMB Circular A-122)*, wherein certain types or expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Sub-Recipients

La Casa Norte and LCN Title Holding Corporation NFP did not provide any Federal awards to sub-recipients during the year ended December 31, 2020.

Note 4 – Other Matters

Amount of non-cash assistance	None
Amount of insurance	None
Amount of loans	None
Amount of loan guarantees	None



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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
La Casa Norte and LCN Title Holding Corporation NFP
Chicago, IL

We have audited in accordance with auditing standards 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 consolidated financial statements of La Casa Norte and LCN Title Holding Corporation NFP which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered La Casa Norte and LCN Title Holding Corporation NFP'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Casa Norte and LCN Title Holding Corporation NFP's internal control. Accordingly, we do not express an opinion on the effectiveness of the La Casa Norte and LCN Title Holding Corporation NFP'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 consolidated 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. Given these limitations, during our audit 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Casa Norte and LCN Title Holding Corporation NPF's consolidated financial statements are free from 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 consolidated 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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

Desmond & Ahern, Ltd

September 27, 2021
Chicago, IL



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the Board of Directors
La Casa Norte and LCN Title Holding Corporation NFP
Chicago, IL

Report on Compliance for Each Major Federal Program

We have audited La Casa Norte and LCN Title Holding Corporation NFP's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of La Casa Norte and LCN Title Holding Corporation NFP's major federal programs for the year ended December 31, 2020. La Casa Norte and LCN Title Holding Corporation NFP's major federal programs are identified in the summary of auditor's results section of the accompanying consolidated 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 La Casa Norte and LCN Title Holding Corporation NFP'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 La Casa Norte and LCN Title Holding Corporation NFP'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 of La Casa Norte and LCN Title Holding Corporation NFP's compliance.

Opinion on Each Major Federal Program

In our opinion, La Casa Norte and LCN Title Holding Corporation NFP 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 December 31, 2020.

Report on Internal Control over Compliance

Management of La Casa Norte and LCN Title Holding Corporation NFP 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 La Casa Norte and LCN Title Holding Corporation NFP'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 the 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 La Casa Norte and LCN Title Holding Corporation NFP'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. 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Desmond & Ahern, Ltd

September 27, 2021
Chicago, IL

**LA CASA NORTE and LCN TITLE HOLDING CORPORATION NFP
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be weakness(es)? _____ yes X no

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance under 2 CFR section 200.516 (a)? _____ yes X no

Certification of Major Programs

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program

Dollar threshold used to distinguish between type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

**LA CASA NORTE and LCN TITLE HOLDING CORPORATION NFP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020**

Section IV – Prior Year Audit Findings

2019-001 Preparation of Generally Accepted Accounting Principles Financial Statements

Condition: The financial statements that are fairly presented are not in conformity with generally accepted accounting principles (GAAP).

Recommendation: We recommend that someone independent of the report's preparation (who is knowledgeable of GAAP, including specific not for profit pronouncements) review the statements to ensure all transactions have been properly recorded.

Current Status: During 2020, there were no material journal entries needed.

2019-002 Allowable Costs/Cost Principles

Condition: The Organization provided time records that account for the number of hours worked by the selected employees and the departments employees are charged to, however, details for the time worked in each individual program was not provided.

Recommendation: We recommend that quarterly recaps of the time sheets be done and that the time analysis be compared to the actual percent being allocated. If necessary, the projected allocation percentages, including full time equivalents, should be changed to reflect the actual time spent as required under 2 CFR 230. Also, the previous quarter should also be adjusted if the revised percentages would cause the financials to be materially misstated. We further recommend that all employees receive additional training on filling out time sheets and that supervisors receive written procedures on reviewing the time sheets before approving to ensure that they are properly completed.

Current Status: During 2020, the Organization provided all necessary time records and documentation for employees charged to the major program. The Director of Finance trained all employees involved in time tracking. The Director of Finance also reviews and provides analysis on a quarterly basis and recommends the appropriate revisions to time allocations to the Finance staff that has custody over this task. There is no longer a finding.