El Hogar del Niño

Single Audit
June 30, 2019

Sassetti
CERTIFIED PUBLIC ACCOUNTANTS

EL HOGAR DEL NIÑO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

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The Board of Directors
El Hogar del Niño
Chicago, Illinois

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of **EL HOGAR DEL NIÑO** (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows 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 from 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **EL HOGAR DEL NIÑO** 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 **EL HOGAR DEL NIÑO's** 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2019. 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

Other Information

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 our report dated March 15, 2020, on our consideration of El Hogar Del Niño's internal control over financial reporting and on 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 El Hogar Del Niño's internal control over financial reporting and compliance.

Sassetti LLC

March 15, 2020
Chicago, Illinois

EL HOGAR DEL NIÑO

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 2,787,713	$ 1,792,759
Accounts receivable, net	1,130,303	1,226,371
Prepaid expenses and other assets	10,680	15,830
Land, property and equipment, net of accumulated depreciation	1,318,244	1,522,185
Total Assets	$ 5,246,940	$ 4,557,145
LIABILITIES AND NET ASSETS		
Accounts payable	$ 120,976	$ 41,777
Accrued expenses	34,384	31,362
Capital leases	3,200	12,015
Mortgage payable	1,461,990	1,533,922
Total Liabilities	1,620,550	1,619,076
Net Assets		
Without donor restriction	3,614,491	2,916,170
With donor restriction	11,899	21,899
Total net assets	3,626,390	2,938,069
Total Liabilities and Net Assets	$ 5,246,940	$ 4,557,145

The accompanying notes are an integral part of these financial statements.

EL HOGAR DEL NIÑO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restriction	With Donor Restriction	Totals 2019	Totals 2018
REVENUES AND OTHER SUPPORT				
Contract revenue:				
Governmental contracts	$ 5,281,651	$ -	$ 5,281,651	$ 4,850,089
Program revenue:				
Program service fees	146,585	-	146,585	125,728
Public support:				
Contributions	17,051	-	17,051	35,187
Special events	12,830	-	12,830	8,470
Grants	15,300	-	15,300	10,000
Total public support	45,181	-	45,181	53,657
Other revenue:				
Interest income	972	-	972	710
Gain on sale of building	204,183	-	204,183	-
Other income	30,476	-	30,476	33,155
Total other revenue	235,631	-	235,631	33,865
Total Revenues and Other Support before Net Assets Released from Restrictions	5,709,048	-	5,709,048	5,063,339
Net assets released from restrictions	10,000	(10,000)	-	-
Total revenues and other support	5,719,048	(10,000)	5,709,048	5,063,339
EXPENSES				
Program services	4,759,147	-	4,759,147	4,362,595
Management and general	216,964	-	216,964	233,454
Fundraising	44,616	-	44,616	52,759
Total Expenses	5,020,727	-	5,020,727	4,648,808
CHANGE IN NET ASSETS	698,321	(10,000)	688,321	414,531
NET ASSETS				
BEGINNING OF YEAR	2,916,170	21,899	2,938,069	2,523,538
END OF YEAR	$ 3,614,491	$ 11,899	$ 3,626,390	$ 2,938,069

The accompanying notes are an integral part of these financial statements.

EL HOGAR DEL NIÑO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Program Expenses									Totals	
	Preschool	Toddler	After School	Early Head Start / Home Visiting	Home Day Care	Prevention Initiative	Total Program Services	Management and General	Fundraising	2019	2018
Expenses - personnel related											
Salaries and wages	$ 1,011,400	$ 1,336,162	$ 201,739	$ 177,263	$ 12,919	$ 66,144	$ 2,805,627	$ 49,613	$ 4,914	$ 2,860,154	$ 2,676,740
Employee benefits	112,442	110,717	24,452	5,480	215	6,660	259,966	34,942	3,481	298,389	250,386
Payroll taxes	94,404	124,107	18,530	16,465	6,495	6,256	266,257	4,689	455	271,401	284,037
Total expenses - personnel related	1,218,246	1,570,986	244,721	199,208	19,629	79,060	3,331,850	89,244	8,850	3,429,944	3,211,163
Expenses - non-personnel related											
Professional fees	93,781	102,558	10,255	2,194	72	1,428	210,288	11,519	5,711	227,518	169,740
Office expense	9,278	11,521	1,929	1,192	17	1,122	25,059	6,042	688	31,789	33,766
Occupancy	122,047	160,719	15,995	5,878	223	4,980	309,842	24,372	2,079	336,293	227,384
Travel	662	328	22,700	8,788	-	3,031	35,509	3,041	-	38,550	25,959
Conference and meetings	4,393	5,242	621	162	8	162	10,588	5,869	1,178	17,635	17,581
Interest	24,558	28,088	5,398	1,420	76	1,413	60,953	7,267	724	68,944	72,168
Insurance	8,849	10,121	1,945	512	27	509	21,963	2,619	261	24,843	33,954
Supplies	125,396	215,226	32,425	361	355	96	373,859	23	1	373,883	393,656
Outside contractors	274	386	94	-	62,674	-	63,428	1,013	23,503	87,944	96,717
Telecommunications	6,949	7,877	1,419	1,201	20	784	18,250	2,766	190	21,206	18,482
Professional development	6,606	11,021	1,134	1,237	113	544	20,655	5,123	120	25,898	21,125
Equipment	5,887	8,624	1,608	423	23	421	16,986	(3,334)	216	13,868	11,501
Other	8,522	5,353	2,191	4,427	1	920	21,414	21,824	14	43,252	21,041
Depreciation	89,854	110,358	23,558	8,108	1,169	5,456	238,503	39,576	1,081	279,160	294,571
Total expenses non-personnel related	507,056	677,422	121,272	35,903	64,778	20,866	1,427,297	127,720	35,766	1,590,783	1,437,645
Total expenses	$ 1,725,302	$ 2,248,408	$ 365,993	$ 235,111	$ 84,407	$ 99,926	$ 4,759,147	$ 216,964	$ 44,616	$ 5,020,727	$ 4,648,808

The accompanying notes are an integral part of these financial statements.

EL HOGAR DEL NIÑO

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 688,321	$ 414,531
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain on sale of building	(204,183)	-
Depreciation	279,160	294,571
(Increase) decrease in operating assets:		
Accounts receivable	96,068	(499,225)
Prepaid expenses	5,150	(9,591)
Increase (decrease) in operating liabilities:		
Accounts payable	79,199	1,025
Accrued expenses	3,022	(81,550)
Net Cash Provided by Operating Activities	946,737	119,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	204,183	-
Additions of property and equipment	(75,219)	(156,976)
Net Cash Provided by (Used in) Investing Activities	128,964	(156,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in amounts due to capital leases	(8,815)	(8,724)
Payments on long-term debt	(71,932)	(68,709)
Net Cash Used in Financing Activities	(80,747)	(77,433)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	994,954	(114,648)
Cash and cash equivalents:		
Beginning of year	1,792,759	1,907,407
End of year	$ 2,787,713	$ 1,792,759
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Interest paid	$ 68,944	$ 72,168
Income taxes paid	$ -	$ -

The accompanying notes are an integral part of these financial statements.

1. HISTORY AND NATURE OF THE ORGANIZATION

El Hogar del Niño (the "Organization") is a nonprofit organization incorporated 1972 in the State of Illinois. The Organization's mission is to provide and demonstrate comprehensive bilingual/bicultural early childhood development programs for infants, preschool, school-age children and their families. The Organization provides the following services: full-day Head Start and Child Care for toddlers and pre-school aged children, before and after-school childcare, Early Head Start and Home Visiting and Family Child Care Homes in Chicago, Illinois. The Organization receives most of its support from government entities, private corporations, foundations, and individual contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

Net assets of the Organization are classified as with or without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash or other assets as revenue with donor restrictions 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 fulfilled, the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between classes of net assets.

Revenue Recognition, Deferred Revenue and Accounts Receivable

Contributions, including unconditional promises-to-give, are recognized as revenue in the period made. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average Federal Funds rate. Grants received from a governmental or similar unit under a contract are recognized when earned. Amounts received, but not yet earned are reported as deferred revenue.

Granting agencies at their discretion may require the Organization to pay back funds as a result of not meeting statistical service expectations and requirements, or if the Organization engaged in activities that resulted in noncompliance with grants and contracts.

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts when applicable. The Organization 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 agencies and others to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At June 30, 2019, an allowance of $11,421 has been recorded.

Statement of Functional Expenses

The costs of providing various program and supporting services have been summarized and allocated among programs and supporting services on a functional basis in the Statement of Functional Expenses. Certain expenses are allocated based full-time equivalents (FTE) per program versus total FTE. FTEs are calculated based on estimates of time spent per program. Expenses allocated include occupancy, depreciation, supplies, fringe benefits and interest.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of twelve months or less to be cash equivalents.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost, or estimated value at date of receipt, if donated. The Organization capitalizes amounts of $1,000 or greater. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of the following assets over their estimated useful lives, which range from 5 to 30 years.

Compensated Absences and Sick Pay

Sick, personal, and vacation compensation is computed based on a Paid Time Off ("PTO") system. Employees may not carry over any unused PTO days into the next fiscal year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income. The Organization had no unrelated business income during fiscal year 2019, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization's Form 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicated 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 was no impairment loss recognized during the year ended June 30, 2019.

Comparative Financial Statement Disclosure

The financial statements 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 the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Donated Services and Materials

Contributions of services are required to be recognized 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. Donated marketable securities, equipment and other materials are recorded as contributions at their estimated fair values at the date of donation. There were no donated services or materials for the year ended June 30, 2019.

Adoption of New Accounting Principle

The Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities for the year ended June 30, 2019. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes, and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that non-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method).

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the periods presented. The Organization's net assets previously reported as temporarily and permanently restricted are now reported as net assets with donor restrictions. Likewise, the Organization's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

3. CERTAIN VULNERABILITIES AND CONCENTRATIONS

Of the Organization's total contracts receivable for fiscal year 2019, approximately 80% and 16% was attributed to amounts due from the City of Chicago Department of Family Support Services (CCDFSS) and Illinois Action for Children (IAFC), respectively. In fiscal 2018, contracts receivable consisted of 76% due from CCDFSS and 17% due from IAFC. Of the Organization's total revenue for the year ended June 30, 2019, 71% was attributed to grants and other amounts expended by CCDFSS, respectively. For the year ended June 30, 2019, 93% was generated through government sources, either as contracts, grants or as service fees. Possible cuts in governmental funding for social service programs could result in a reduction of funding to the Organization.

The organization maintained certain bank accounts insured by the Federal Deposit Insurance Corporation up to an aggregate amount of $250,000 for each depositor in each depository institution, the balances of which generally exceeded insured limits during the year ended June 30, 2019.

4. LAND, PROPERTY AND EQUIPMENT

Land, property and equipment at June 30, 2019, consists of the following:

Land	$ 46,569
Building improvements	6,331,979
Capital leases	13,987
Furniture and equipment	316,963
Total at cost	6,709,498
Less: accumulated depreciation	(5,391,254)
Net property and equipment	$ 1,318,244

The Organization sold certain properties for $225,000 during the year ended June 30, 2019. The property was previously valued at $1 by the Organization. Selling and closing expenses were $20,817, resulting in a gain of $204,183 which is reflected in the Statement of Activities.

5. CAPITAL LEASES

The Organization has two capital leases for equipment. One lease was entered on December 8, 2015 at a capitalized cost of $3,840 at an interest rate of 5.5% with a monthly payment $80. A second lease was entered on August 31, 2016 at a capitalized cost of $10,147 at an interest rate of 5.5% with a monthly payment of $211.The capitalized equipment has been included in the fixed assets. Following is a summary of property held under capital leases:

Office equipment	$	13,987
Accumulated amortization		(10,787)
	$	3,200

The future minimum payments required under capital leases are as follows:

Years ending June 30:

2020	$	2,776
2021		424
Total	$	3,200

6. MORTGAGE PAYABLE

The balance of the mortgage payable at June 30, 2019, was $1,461,990.

The mortgage was refinanced on January 1, 2014, and monthly mortgage payments of principal and interest of $11,740 are required. The mortgage matures on January 15, 2024, and the rate of interest on the outstanding balance due is 4.53%. This note is collateralized by land and buildings located at 1710-18 South Loomis. The Organization must comply with certain covenants per the loan agreement. The Organization is in compliance with required loan covenants as of the year ended June 30, 2019.

The loan maturity schedule is as follows:

Years ending June 30:

2020	$	76,208
2021		79,917
2022		83,613
2023		87,481
2024		1,134,771
	$	1,461,990

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

8. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are available for construction and renovation of the Organization's facilities in the amount of $11,899 at June 30, 2019.

9. RETIREMENT PLAN

The Organization maintains a contributory retirement plan for its eligible employees. The plan is a defined contribution pension plan under Internal Revenue Service Code Section 403(b) that is available to all employees who complete 1,000 hours of service. Employees may defer up to 80% of their pre-tax compensation. There were no employer contributions to the plan for the year ended June 30, 2019.

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over the next 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. General expenditures include payroll and related benefits, supplies, occupancy, interest, and professional services. The Organization's financial assets available for general expenditure within one year of the statement of financial position date of June 30, 2019, are as follows:

Cash and cash equivalents	$2,787,713
Accounts receivable	1,130,303
Total financial assets available	$3,918,016
Less: Amounts unavailable for general expenditure within one year due to:	
Restricted for construction projects	(11,899)
Total financial assets available to management for general expenditure within one year	$3,906,117

11. FUTURE ACCOUNTING STANDARDS PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Early adoption is permitted. The updated standard will be effective for the Organization's June 30, 2020 financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides additional guidance on how to determine if a contribution is conditional. The new standard will be effective for transactions that occur during the Organization's fiscal year ended June 30, 2020. Early adoption is permitted.

In February 2016 the FASB issued ASU 2016-02, Leases (Topic 842), which will supersede the current lease recording requirements in Topic 842. The ASU looks to increase transparency and comparability by conforming US GAAP with International Accounting Standards as it relates to leases. The new standard will require that all leases, including operating leases, be included on the balance sheet as a "right of use" asset with an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the Organization's year ending June 30, 2022, with early adoption permitted. However, the full extent of the potential effects of the new standard, including disclosures, has not been fully determined.

The Organization is currently evaluating the impact of the adoption of the above standards on its financial statements.

EL HOGAR DEL NIÑO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor/Program Title		Federal CDFA Number	Pass Through Numbers	Expenditures
U.S. Department of Health and Human Services				
CCDF Cluster				
Pass-through programs from:				
Illinois Action for Children				
Child Care and Development Block Grant		93.575	N/A	$ 55,180
Child Care Mandatory and Matching Funds of the Child Care and Development Fund		93.596	N/A	33,166
City of Chicago Department of Family and Support Services				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund		93.596	83345	326,542
Total CCDF Cluster				414,888
Head Start				
Pass-through programs from:				
City of Chicago Department of Family and Support Services				
Head Start	*	93.600	33333 R3	860,724
Early Head Start	*	93.600	33390 R4	145,450
Early Head Start	*	93.600	33338 R3	1,111,265
Total Head Start				2,117,439
Subtotal U.S. Department of Health and Human Services				2,532,327
U.S. Department of Agriculture				
Pass-through programs from:				
Illinois State Board of Education				
Department of Child Nutrition				
Child and Adult Food Program		10.558	15-01657P00	249,831
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 2,782,158

*Audited as a major program

See Notes to Schedule of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of El Hogar del Niño 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Because the Schedule presents only a selected portion of the operations of El Hogar del Niño, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of El Hogar del Niño. Pass-through entity identifying numbers are presented where available.

The Organization elected not to use the option of the 10% de minimis indirect cost rate.

Basis of Accounting

The accompanying schedule of expenditures of Federal awards is presented on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Payments to Subrecipients

El Hogar del Niño provided no Federal awards to sub-recipients during the year ended June 30, 2019.

Non - Cash Assistance

El Hogar del Niño neither received nor disbursed Federal awards in the form of non-monetary assistance during the year ended June 30, 2019.

Insurance, Loans, and Loan Guarantees

During the year ended June 30, 2019, El Hogar del Niño received no insurance, loans, loan guarantees or other Federal assistance for the purpose of administering Federal programs.

INDEPENDENT AUDITORS' 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

Board of Directors
El Hogar Del Nino
Chicago, Illinois

We have audited, in accordance with the 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 El Hogar Del Niño (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, statements of 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 March 15, 2020.

Internal Control over Financial Reporting

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

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether El Hogar Del Niño's 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 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 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.

Sassetti LLC

March 15, 2020
Oak Park, Illinois

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CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
El Hogar Del Nino
Chicago, Illinois

Report on Compliance for Each Major Federal Program
We have audited El Hogar Del Niño'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 El Hogar Del Niño's major federal programs for the year ended June 30, 2019. El Hogar Del Niño'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 El Hogar Del Niño'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 El Hogar Del Niño'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 El Hogar Del Niño's compliance.

Opinion on Each Major Federal Program
In our opinion, El Hogar Del Niño 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.

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Report on Internal Control Over Compliance

Management of El Hogar Del Niño 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 El Hogar Del Niño'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 El Hogar Del Nino' 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.

Sassetti LLC

March 15, 2020
Oak Park, Illinois

EL HOGAR DEL NIÑO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness (es) identified?		Yes	X	No
Significant deficiency (ies) identified not considered to be material weaknesses?		Yes	X	No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards Section

Dollar threshold used to determine Type A programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes		No
Type of auditor's report on compliance for major programs:	Unmodified			
Internal control over major programs:				
Material weakness (es) identified?		Yes	X	No
Significant deficiency (ies) identified not considered to be material weaknesses?		Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.600	Head Start

PART II - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

PART III - FEDERAL PROGRAM AUDIT FINDINGS

NONE

PART IV - SUMMARY OF PRIOR AUDIT FINDINGS

NONE