

El Hogar del Niño

Single Audit

June 30, 2020

Sassetti

CERTIFIED PUBLIC ACCOUNTANTS



EL HOGAR DEL NIÑO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

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The Board of Directors
El Hogar del Niño
Chicago, Illinois

INDEPENDENT AUDITORS' 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, 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.

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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **EL HOGAR DEL NIÑO** as of June 30, 2020, 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** 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 19, 2021, 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 19, 2021
Oak Park, Illinois

EL HOGAR DEL NIÑO
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020, WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,187,498	\$ 2,787,713
Accounts receivable, net	2,176,753	1,130,303
Prepaid expenses and other assets	13,620	10,680
Land, property and equipment, net of accumulated depreciation	1,032,968	1,318,244
Total Assets	\$ 6,410,839	\$ 5,246,940
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 55,947	\$ 120,976
Accrued expenses	46,968	34,384
Capital leases	1,604	3,200
Paycheck Protection Program loan	688,625	-
Mortgage payable	1,386,600	1,461,990
Total Liabilities	2,179,744	1,620,550
 Net Assets		
Without donor restriction	4,107,096	3,614,491
With donor restriction	123,999	11,899
Total net assets	4,231,095	3,626,390
Total Liabilities and Net Assets	\$ 6,410,839	\$ 5,246,940

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

EL HOGAR DEL NIÑO
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restriction	With Donor Restriction	Totals	
			2020	2019
REVENUES AND OTHER SUPPORT				
Contract revenue:				
Governmental contracts	\$ 5,310,635	\$ -	\$ 5,310,635	\$ 5,281,651
Program revenue:				
Program service fees	209,528	-	209,528	146,585
Public support:				
Contributions	32,388	-	32,388	17,051
Special events	10,278	-	10,278	12,830
Grants	-	150,000	150,000	15,300
Total public support	<u>42,666</u>	<u>150,000</u>	<u>192,666</u>	<u>45,181</u>
Other revenue:				
Interest income	684	-	684	972
Gain on sale of building	-	-	-	204,183
Other income	2,462	-	2,462	30,476
Total other revenue	<u>3,146</u>	<u>-</u>	<u>3,146</u>	<u>235,631</u>
Total Revenues and Other Support before Net Assets Released from Restrictions	<u>5,565,975</u>	<u>150,000</u>	<u>5,715,975</u>	<u>5,709,048</u>
Net assets released from restrictions	<u>37,900</u>	<u>(37,900)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	5,603,875	112,100	5,715,975	5,709,048
EXPENSES				
Program services	4,810,199	-	4,810,199	4,759,147
Management and general	256,989	-	256,989	216,964
Fundraising	44,082	-	44,082	44,616
Total Expenses	<u>5,111,270</u>	<u>-</u>	<u>5,111,270</u>	<u>5,020,727</u>
CHANGE IN NET ASSETS	492,605	112,100	604,705	688,321
NET ASSETS				
BEGINNING OF YEAR	<u>3,614,491</u>	<u>11,899</u>	<u>3,626,390</u>	<u>2,938,069</u>
END OF YEAR	<u>\$ 4,107,096</u>	<u>\$ 123,999</u>	<u>\$ 4,231,095</u>	<u>\$ 3,626,390</u>

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

EL HOGAR DEL NIÑO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	Program Expenses						Totals				
	Preschool	Toddler	After School	Early Head Start / Home Visiting	Home Day Care	Prevention Initiative	Total Program Services	Management and General	Fundraising	2020	2019
Expenses - personnel related											
Salaries and wages	\$ 1,035,879	\$ 1,507,290	\$ 197,673	\$ 177,608	\$ 12,882	\$ 83,057	\$ 3,014,389	\$ 54,839	\$ 5,110	\$ 3,074,338	\$ 2,860,154
Employee benefits	120,192	109,011	27,027	4,572	43	7,690	268,535	42,399	3,811	314,745	298,389
Payroll taxes	84,549	122,738	16,088	14,323	5,700	6,710	250,108	4,567	416	255,091	271,401
Total expenses - personnel related	1,240,620	1,739,039	240,788	196,503	18,625	97,457	3,533,032	101,805	9,337	3,644,174	3,429,944
Expenses - non-personnel related											
Professional fees	53,714	84,633	8,252	1,748	91	1,700	150,138	11,891	8,296	170,325	227,518
Advertising	109	125	24	6	-	6	270	32	3	305	-
Client assistance	10,643	15,486	2,031	1,825	132	853	30,970	-	-	30,970	-
Office expense	8,674	13,343	1,975	1,197	18	911	26,118	9,764	288	36,170	31,789
Occupancy	76,174	105,106	14,925	5,448	209	4,282	206,144	33,403	1,375	240,922	336,293
Travel	457	855	452	7,175	-	3,002	11,941	2,683	-	14,624	38,550
Conference and meetings	3,667	3,851	864	103	5	102	8,592	6,718	52	15,362	17,635
Interest	23,429	26,797	5,150	1,355	72	1,348	58,151	6,857	691	65,699	68,944
Insurance	8,749	10,149	1,923	512	27	504	21,864	2,559	110	24,533	24,843
Supplies	106,308	189,762	37,960	1,448	404	1,323	337,205	119	-	337,324	373,883
Outside contractors	-	-	-	-	57,102	-	57,102	2,400	20,958	80,460	87,944
Telecommunications	6,716	9,927	1,398	1,869	27	1,175	21,112	2,742	129	23,983	21,206
Professional development	3,981	6,295	702	1,415	10	429	12,832	6,225	93	19,150	25,898
Equipment	7,892	8,941	1,598	668	20	566	19,685	2,572	141	22,398	13,868
Other	6,211	84,500	23	2,947	-	1,708	95,389	4,206	-	99,595	43,252
Depreciation	88,498	101,218	19,454	5,118	273	5,093	219,654	63,013	2,609	285,276	279,160
Total expenses non-personnel related	405,222	660,988	96,731	32,834	58,390	23,002	1,277,167	155,184	34,745	1,467,096	1,590,783
Total expenses	\$ 1,645,842	\$ 2,400,027	\$ 337,519	\$ 229,337	\$ 77,015	\$ 120,459	\$ 4,810,199	\$ 256,989	\$ 44,082	\$ 5,111,270	\$ 5,020,727

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

EL HOGAR DEL NIÑO
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 604,705	\$ 688,321
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Gain on sale of building	-	(204,183)
Depreciation	285,276	279,160
(Increase) decrease in operating assets:		
Accounts receivable	(1,046,450)	96,068
Prepaid expenses	(2,940)	5,150
Increase (decrease) in operating liabilities:		
Accounts payable	(65,029)	79,199
Accrued expenses	12,584	3,022
	<u>(211,854)</u>	<u>946,737</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	-	204,183
Additions of property and equipment	-	(75,219)
	<u>-</u>	<u>(75,219)</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>128,964</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	688,625	-
Payments on capital lease	(1,596)	(8,815)
Payments on long-term debt	(75,390)	(71,932)
	<u>611,639</u>	<u>(80,747)</u>
Net Cash Provided by (Used in) Financing Activities	<u>611,639</u>	<u>(80,747)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	399,785	994,954
Cash and cash equivalents:		
Beginning of year	2,787,713	1,792,759
End of year	<u>\$ 3,187,498</u>	<u>\$ 2,787,713</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Interest paid	<u>\$ 65,699</u>	<u>\$ 68,944</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

EL HOGAR DEL NIÑO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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.

EL HOGAR DEL NIÑO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome. Conditional contributions include grants received from a governmental or similar unit under a contract and are recognized when earned and/or when eligible expenditures, as defined in the grant or other allowable cost manual are made. 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, 2020, 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.

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.

EL HOGAR DEL NIÑO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 2020, 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, 2020.

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, 2019, 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, 2020.

EL HOGAR DEL NIÑO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Adoption of New Accounting Principle

During the year ended June 30, 2020, the Organization adopted Financial Accounting Standards Board's Accounting Standard Update ("ASU") 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019. There were no changes to the recognition of contribution revenue during 2020.

3. CERTAIN VULNERABILITIES AND CONCENTRATIONS

Of the Organization's total contracts receivable for fiscal year 2020, approximately 80% and 20% 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 2019, contracts receivable consisted of 80% due from CCDFSS and 16% due from IAFC. Of the Organization's total revenue for the year ended June 30, 2020, 67% was attributed to grants and other amounts expended by CCDFSS, respectively. For the year ended June 30, 2020, 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, 2020.

4. CONDITIONAL GRANTS

Conditional grants are grants that include a specific condition in order to earn the revenue. Conditional grants are not recorded in revenue until the condition of the grant is met (generally, when the service is provided). The Organization has conditional grants from the City of Chicago Department of Family and Support Services to provide childcare and education services in the total amount of \$3,443,881 that are available to be used during fiscal year 2021 on qualifying expenses.

5. LAND, PROPERTY AND EQUIPMENT

Land, property, and equipment at June 30, 2020, consists of the following:

EL HOGAR DEL NIÑO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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		(5,676,530)
Net property and equipment		\$ 1,032,968

Depreciation expense amounted to \$285,276 in 2020.

6. LEASES

The Organization entered into a two-year noncancelable lease for office space which expires on September 30, 2021. The lease has a one-year renewal option.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2020:

2021	\$ 18,090
2022	4,560
	\$ 22,650

Rent expense amounted to \$15,510 in 2020.

The Organization entered into an operating lease for equipment subsequent to year end. Future minimum rental payments required under the lease are as follow:

2021	\$ 2,623
2022	3,147
2023	3,147
2024	3,147
2025	525
	\$ 12,589

7. 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		(12,383)
		\$ 1,604

The future minimum payments required in fiscal year 2021 are \$424.

EL HOGAR DEL NIÑO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

8. CONTINGENCY

The Organization has received significant revenue from federal, state, and city agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. Management believes that any disallowance would not be material to the financial statements.

9. MORTGAGE PAYABLE

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, 2020.

The loan maturity schedule is as follows:

Years ending June 30:

2021	\$	79,917
2022		83,613
2023		87,481
2024		1,135,589
	\$	<u>1,386,600</u>

10. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization entered into a loan agreement with a commercial bank for \$688,625 pursuant to the Paycheck Protection Program (the "PPP") of the CARES Act, which was enacted March 27, 2020. The application for these funds required the Organization, in good faith, to certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization.

Under the terms of the PPP loan, the Organization may be eligible for full or partial loan forgiveness. The unforgiven portion of the PPP loan is payable over two years at an annual interest rate of 1%, with a deferral of payments for the first ten months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, there can be no assurance that the Organization will be eligible for forgiveness of the loan, in whole or in part.

Should the loan not be forgiven either in whole or in part, payments, including accrued interest, are due starting ten months after the covered period. The loan matures on April 20, 2022.

EL HOGAR DEL NIÑO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

11. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are available for the following purposes as of June 30, 2020:

Construction and renovation	\$ 7,399
Emergency client assistance	16,600
Time restricted	<u>100,000</u>
	<u>\$ 123,999</u>

Net assets were released from restrictions for the following during the year ended June 30, 2020:

Construction and renovation	\$ 4,500
Personal protective equipment	5,000
Emergency client assistance	<u>28,400</u>
	<u>\$ 37,900</u>

12. 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, 2020.

13. 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, 2020, are as follows:

Cash and cash equivalents	\$ 3,187,498
Accounts receivable	<u>2,176,753</u>
Total financial assets available	<u>5,364,251</u>
Less: Amounts unavailable for general expenditure within one year due to:	
Restricted for construction projects	<u>(7,399)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 5,356,852</u>

EL HOGAR DEL NIÑO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

14. 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, 2021 financial statements.

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 U.S. 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, 2023, 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.

15. UNCERTAINTIES AND COVID-19

On March 10, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the Legislation that directs federal emergency disaster response. The Organization was forced to close childcare operations for several months and has had ongoing operational changes in response to governmental restrictions and public health requirements. The Organization cannot predict how legal and regulatory responses to concerns about COVID-19 or other major public health issues will continue to impact operations. The total magnitude, timing, and duration of such potential financial impacts cannot be reasonably estimated at this time.

16. 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.

Subsequent to year end, the organization entered into an operating lease for equipment. See Note 6 for minimum lease payments.

EL HOGAR DEL NIÑO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures
U.S. Department of Health and Human Services			
CCDF Cluster			
Pass-through programs from:			
City of Chicago Department of Family and Support Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development	93.596	108150	\$ 213,783
Total CCDF Cluster			<u>213,783</u>
Head Start			
Pass-through programs from:			
City of Chicago Department of Family and Support Services			
Head Start	* 93.600	122801	416,851
Head Start	* 93.600	3333 R4	387,741
Early Head Start	* 93.600	122803	489,380
Early Head Start	* 93.600	33338 R4	475,195
Early Head Start CCP	* 93.600	122804	109,552
Total Head Start			<u>1,878,719</u>
Subtotal U.S. Department of Health and Human Services			<u>2,092,502</u>
U.S. Department of Agriculture			
Pass-through programs from:			
Illinois State Board of Education Department of Child and Adult Care Food Program	10.558	15-016577P00	186,892
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,279,394</u>
*Audited as a major program			

See Notes to Schedule of Federal Awards

EL HOGAR DEL NIÑO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

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, 2020. 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, 2020.

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, 2020.

Insurance, Loans, and Loan Guarantees

During the year ended June 30, 2020, 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, 2020, 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 19, 2021.

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) as a basis for designing 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.



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 financial statements. 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 19, 2021
Oak Park, Illinois

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, 2020. El Hogar Del Niño's major federal programs are identified in the summary of auditors' 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.

Auditors' 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, 2020.

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 Niño' 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 19, 2021
Oak Park, Illinois

EL HOGAR DEL NIÑO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2020

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

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

Federal Awards Section

Dollar threshold used to determine Type A programs:		\$750,000	
<hr/>			
Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No	
Type of auditor's report on compliance for major programs:		Unmodified	
<hr/>			
Internal control over major programs:			
Material weakness (es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency (ies) identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> No	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____ Yes	_____ <u>X</u> No	
Identification of major programs:			
CFDA Numbers	Name of Federal Program or Cluster		
93.600	Head Start		

EL HOGAR DEL NIÑO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

PART II - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

PART III - FEDERAL PROGRAM AUDIT FINDINGS

NONE

PART IV - SUMMARY OF PRIOR AUDIT FINDINGS

NONE

