El Hogar del Niño

Financial Statements

June 30, 2018

Sassetti

CERTIFIED PUBLIC ACCOUNTANTS

EL HOGAR DEL NIÑO

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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. 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.

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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, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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** 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sassetti LLC

February 28, 2019
Chicago, Illinois

EL HOGAR DEL NIÑO

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018, WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,792,759	$ 1,907,407
Accounts receivable, net	1,226,371	727,146
Prepaid expenses and other assets	15,830	6,239
Land, property and equipment, net of accumulated depreciation	1,522,185	1,659,780
Total Assets	$ 4,557,145	$ 4,300,572
LIABILITIES AND NET ASSETS		
Accounts payable	$ 41,777	$ 40,752
Accrued expenses	31,362	112,912
Capital leases	12,015	20,739
Mortgage payable	1,533,922	1,602,631
Total Liabilities	1,619,076	1,777,034
Net Assets		
Unrestricted	2,916,170	2,490,536
Temporarily restricted	21,899	33,002
Total net assets	2,938,069	2,523,538
Total Liabilities and Net Assets	$ 4,557,145	$ 4,300,572

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

EL HOGAR DEL NIÑO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

			Totals	
	Unrestricted	Temporarily Restricted	2018	2017
REVENUES AND OTHER SUPPORT				
Governmental contracts	$ 4,850,089	$ -	$ 4,850,089	$ 3,815,213
Program service fees	125,728	-	125,728	113,416
Contributions	35,187	-	35,187	37,625
Special events	8,470	-	8,470	3,187
Grants	10,000	-	10,000	2,665
Interest income	710	-	710	490
Other income	33,155	-	33,155	5,968
Net assets released from restrictions	11,103	(11,103)	-	-
Total Revenues and Other Support	5,074,442	(11,103)	5,063,339	3,978,564
EXPENSES				
Program services	4,362,595	-	4,362,595	3,796,375
Management and general	233,454	-	233,454	289,800
Fundraising	52,759	-	52,759	76,399
Total Expenses	4,648,808	-	4,648,808	4,162,574
CHANGE IN NET ASSETS	425,634	(11,103)	414,531	(184,010)
NET ASSETS				
BEGINNING OF YEAR	2,490,536	33,002	2,523,538	2,707,548
END OF YEAR	$ 2,916,170	$ 21,899	$ 2,938,069	$ 2,523,538

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

EL HOGAR DEL NIÑO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Program Expenses									Totals	
	Preschool	Toddler	After School	Early Head Start / Home Visiting	Home Day Care	Prevention Initiative	Total Program Services	Management and General	Fundraising	2018	2017
Independent Auditor's Report											
Salaries and wages	$ 969,357	$ 1,229,995	$ 187,951	$ 119,642	$ 17,135	$ 70,628	$ 2,594,708	$ 59,168	$ 22,864	$ 2,676,740	$ 2,265,911
Employee benefits	76,397	117,410	20,286	7,003	1,169	3,595	225,860	23,953	573	250,386	191,212
Payroll taxes	100,694	126,047	19,068	12,417	9,509	7,088	274,823	5,925	3,289	284,037	243,852
							-				
Total expenses - personnel related	1,146,448	1,473,452	227,305	139,062	27,813	81,311	3,095,391	89,046	26,726	3,211,163	2,700,975
Expenses - non-personnel related							-				
Professional fees	62,967	79,891	9,712	1,703	231	1,144	155,648	11,385	2,707	169,740	242,520
Advertising	-	-	-	-	-	-	-	-	-	-	25
Office expense	8,331	11,340	2,047	2,802	50	2,698	27,268	6,123	375	33,766	48,817
Occupancy	64,007	103,379	16,408	5,579	800	3,773	193,946	32,673	765	227,384	220,830
Travel	215	740	14,696	6,194	-	2,004	23,849	2,110	-	25,959	16,048
Conference and meetings	4,624	4,860	1,089	203	18	119	10,913	5,189	1,479	17,581	20,753
Interest	23,392	28,488	6,065	2,059	289	1,415	61,708	10,151	309	72,168	75,247
Insurance	8,536	10,917	2,357	824	122	541	23,297	10,562	95	33,954	36,082
Supplies	109,676	244,671	29,377	1,689	77	8,090	393,580	76	-	393,656	287,914
Outside contractors	-	-	-	-	78,212	-	78,212	-	18,505	96,717	140,873
Telecommunications	5,699	6,992	1,466	486	67	337	15,047	3,359	76	18,482	17,991
Professional development	4,196	6,007	1,051	622	30	507	12,413	8,630	82	21,125	23,825
Equipment	3,400	4,368	1,002	392	70	215	9,447	2,054	-	11,501	9,376
Other	6,488	5,496	1,309	1,992	15	799	16,099	3,302	1,640	21,041	32,873
Depreciation	88,892	113,617	25,902	10,008	1,765	5,593	245,777	48,794	-	294,571	288,425
Total expenses							-				
non-personnel related	390,423	620,766	112,481	34,553	81,746	27,235	1,267,204	144,408	26,033	1,437,645	1,461,599
							-				
Total expenses	$ 1,536,871	$ 2,094,218	$ 339,786	$ 173,615	$ 109,559	$ 108,546	$ 4,362,595	$ 233,454	$ 52,759	$ 4,648,808	$ 4,162,574

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

EL HOGAR DEL NIÑO

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 414,531	$ (184,010)
Adjustments to reconcile change in net assets provided to net cash provided by operating activities		
Depreciation	294,576	288,425
Change in net assets:		
(Increase) in accounts receivable	(499,225)	(90,324)
(Increase) decrease in prepaid expenses	(9,591)	24,102
Increase in accounts payable	1,025	10,006
(Decrease) increase in accrued expenses	(81,550)	81,191
Net Cash Provided by Operating Activities	119,766	129,390
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property and equipment	(156,981)	(53,645)
Net Cash Used in Investing Activities	(156,981)	(53,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in amounts due to capital leases	(8,724)	351
Payments on long-term debt	(68,709)	(65,630)
Net Cash Used in Financing Activities	(77,433)	(65,279)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(114,648)	10,466
Cash and cash equivalents:		
Beginning of year	1,907,407	1,896,941
End of year	$ 1,792,759	$ 1,907,407
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Interest paid	$ 72,169	$ 75,247
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 child care, 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. The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) 958-205 Not-for-Profit Entities, Presentation of Financial Statements. The Organization is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by passage of time; and permanently restricted net assets, which represents resources restricted by donor imposed by stipulations and conditions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Unrestricted net assets: Net assets not subject to donor-imposed restrictions and conditions.

Temporarily restricted net assets: Net assets are subject to donor-imposed stipulations and conditions that may or will be met by actions of the Organization and/or passage of time. The Organization maintained $21,899 and $33,002 of temporarily restricted net assets as of June 30, 2018.

Permanently restricted net assets: Net assets are subject to donor–imposed stipulations and conditions that they be maintained by the Organization. Generally, the donors to these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The organization did not maintain any permanently restricted net assets as of June 30, 2018.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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 applicable classes of net assets.

Revenue Recognition, Deferred Revenue and Accounts Receivable

As prescribed by FASB ASC 958-605, 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 exchange transactions. Revenue is 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, 2018, accounts receivable are considered by management to be fully collectible within a year and accordingly, no allowance for doubtful accounts is determined to be necessary.

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

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.

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 2018, 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 is no longer subject to U.S. federal, state and local income tax examination by tax authorities for years before fiscal year 2015.

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, 2018.

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, 2017, 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 purchases 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, 2018.

3. CERTAIN VULNERABILITIES AND CONCENTRATIONS

Of the Organization’s total contracts receivable for fiscal year 2018, approximately 73% of was attributed to amounts due from the City of Chicago Department of Family Support Services (CCDFSS). Approximately 17% of contracts receivable for fiscal year 2018 was comprised of amounts receivable from the Illinois Department of Child and Family Services (IDCFS). In fiscal 2017, contracts receivable consisted of 54% due from CCDFSS, 15% due from IDCFS and 28% due from the Illinois State Board of Education. Of the Organization’s total revenue for the year ended June 30, 2018, 49% was attributed to grants and other amounts expended by CCDFSS, respectively. For the year ended June 20, 2018, 96%, 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, 2018.

4. LAND, PROPERTY AND EQUIPMENT

Land, property and equipment at June 30, 2018, consists of the following:

Land	$	46,569
Building improvements		6,269,809
Furniture and equipment		317,901
Total at cost		6,634,279
Less: accumulated depreciation		(5,112,094)
Net property and equipment	$	1,522,185

5. CAPITAL LEASES

The Organization has three capital leases for equipment. One lease was entered on April 15, 2015 at a capitalized cost of $28,368 at an interest rate of 5.5% with a monthly payment of $591. Another 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 third 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		42,355
Accumulated amortization		(21,066)
	$	21,289

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

Years ending June 30:

2019	8,816
2020	2,776
2021	423
Total	12,015

6. MORTGAGE PAYABLE

The balance of the mortgage payable at June 30, 2018, was $1,533,922.

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 loan maturity schedule is as follows:

Years ending June 30:

2019	73,015
2020	76,208
2021	79,917
2022	83,613
2023	87,481
Thereafter	1,133,688
	1,533,922

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date the financial statements were available to be issued. Subsequent to year end, the Organization sold property that was not being used for program services for approximately $225,000.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for constructions and renovation of the Organization's facilities in the amount of $21,899 at June 30, 2018.

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, 2018.

10. NEW ACCOUNTING STANDARDS

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities", which aims to improve presentation of financial information ultimately making nonprofit financial statements more informative, transparent and useful to the readers with changes to the following: net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. ASU 2016-14 is effective for the fiscal years beginning after December 15, 2017, including interim periods within fiscal years beginning after December 15, 2018. Amendments will need to be applied retrospectively. The Organization is currently evaluating the potential impact of the adoption of ASU 2016-14 on the Organization's financial statements.

In May 2014, the FASB issued 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 annual reporting periods beginning after December 15, 2017.

Effective February 25, 2016 the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 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, among other things, 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 Agency's year ending June 30, 2021, with early application permitted. However the full extent of the potential effects of the new standard, including disclosures, has not been fully determined.