

**Public Action to Deliver
Shelter, Inc.
d/b/a Hessed House, Inc.**
Financial Statements
June 30, 2018

Sassetti



CERTIFIED PUBLIC ACCOUNTANTS

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

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Board of Trustees
Public Action to Deliver Shelter, Inc.
d/b/a Hesed House, Inc.
Aurora, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc., which comprise the statement of financial position as of June 30, 2018, 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc.** as of June 30, 2018, 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 the June 30, 2017 financial statements, and our report dated October 30, 2017, expressed an unmodified opinion on those audited financial statements. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2018, on our consideration of **Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc.'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 this 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the **Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc.'s** internal control over financial reporting and compliance.

Sassetti LLC

October 26, 2018
Oak Park, Illinois

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018, WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,718,241	\$ 539,431
Restricted cash	4,470	4,660
Investments	1,026,494	934,358
Pledges receivable	65,000	40,000
Grants and contracts receivable	30,408	127,322
Other receivables	936	1,327
Other assets	25,558	29,204
Property and equipment, net	2,024,938	2,072,414
Total Assets	\$ 4,896,045	\$ 3,748,716
LIABILITIES		
Accounts payable	\$ 86,609	\$ 69,524
Accrued payroll	60,389	35,312
Accrued vacation	100,216	74,159
Resident liability account	4,470	4,660
Deferred revenue	-	19,732
Loan payable	39,448	44,320
Total Liabilities	291,132	247,707
NET ASSETS		
Unrestricted	3,144,026	3,380,580
Board designated	150,000	162,247
Total unrestricted net assets	3,547,932	3,307,207
Temporarily restricted	1,056,981	193,802
Total net assets	4,604,913	3,501,009
Total Liabilities and Net Assets	\$ 4,896,045	\$ 3,748,716

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

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Totals	
			2018	2017
REVENUES AND OTHER SUPPORT				
Contributions	1,659,915	\$ -	\$ 1,659,915	\$ 1,502,287
Contributions, in-kind	3,195,221	-	3,195,221	3,251,312
Grants	1,193,635	911,144	2,104,779	1,238,401
Special events	756,413	-	756,413	537,421
TLC resident income	2,459	-	2,459	5,265
Investment income	32,308	-	32,308	67,090
Miscellaneous income	59,287	-	59,287	48,530
Net assets released from restrictions	47,965	(47,965)	-	-
Total Revenues and Other Support	6,947,203	863,179	7,810,382	6,650,306
EXPENSES				
Program services	5,813,348	-	5,813,348	5,669,861
Administrative and general	335,136	-	335,136	415,682
Fundraising	557,994	-	557,994	477,720
Total Expenses	6,706,478	-	6,706,478	6,563,263
CHANGE IN NET ASSETS	240,725	863,179	1,103,904	87,043
NET ASSETS				
Beginning of year	3,307,207	193,802	3,501,009	3,413,966
End of year	<u>\$ 3,547,932</u>	<u>\$ 1,056,981</u>	<u>\$ 4,604,913</u>	<u>\$ 3,501,009</u>

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

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

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

	Program Services							
	PADS OES	PADS AM	TLC	SEEDS	Light-House	Partner Agencies	Carpenter's Homeless Prevention	Soup Kitchen
Staff salaries	\$ 346,429	\$ 113,849	\$ 305,378	\$ 157,692	\$ 162,891	\$ 38,341	\$ 32,433	\$ 26,783
Other staff benefits	78,536	20,382	73,283	34,486	20,400	7,731	22,258	3,876
Supplies	14,755	41,694	72,459	9,331	1,111	36	3	6,466
Special funds and other expenses	3,658	681	34,364	12,804	6,163	-	5,043	-
Rent and housing expense	-	-	6,168	2,957	280,622	-	112,802	-
Supplies - in-kind	599,277	502,206	514,224	353,083	-	-	-	109,274
Services - in-kind	267,545	278,115	278,119	266,948	-	-	-	-
Professional services	-	-	97	-	-	-	-	-
Communication	68	68	52	819	236	-	80	-
Repairs and maintenance	353	-	-	200	-	-	-	-
Occupancy	84,269	35,024	74,233	19,111	12,034	22,232	4,346	6,585
Insurance	5,072	3,308	6,379	5,132	1,931	882	845	220
Interest expense	-	-	-	-	-	-	-	-
Other program expense	826	564	7,103	12,359	2,296	-	81	-
Travel	2,255	1,445	3,092	4,392	1,948	230	1,089	58
Contribution and direct mail	-	-	-	-	-	-	-	-
Special events	-	-	-	-	-	-	-	-
Depreciation	39,993	13,649	65,309	34,517	11,441	4,130	7,228	5,439
Total expenses	\$ 1,443,036	\$ 1,010,985	\$ 1,440,260	\$ 913,831	\$ 501,073	\$ 73,582	\$ 186,208	\$ 158,701

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

	Program Services		Support Services		Totals	
	Other	Total Program Services	Administrative and General	Fundraising	2018	2017
Staff salaries	\$ 40,069	\$ 1,223,865	\$ 76,674	\$ 270,148	\$ 1,570,687	\$ 1,430,561
Other staff benefits	3,974	264,926	44,762	53,083	362,771	352,360
Supplies	111	145,966	32,914	1,570	180,450	200,315
Special funds and other expenses	3,042	65,756	3,334	-	69,090	38,574
Rent and housing expense	-	402,549	-	-	402,549	391,613
Supplies - in-kind	-	2,078,064	-	-	2,078,064	2,085,792
Services - in-kind	26,430	1,117,157	-	-	1,117,157	1,165,521
Professional services	-	97	83,536	1,000	84,633	79,297
Communication	234	1,557	18,465	40	20,062	20,830
Repairs and maintenance	-	553	19,390	16,697	36,640	32,123
Occupancy	3,391	261,225	2,164	898	264,287	261,105
Insurance	323	24,092	22,545	-	46,637	31,401
Interest expense	-	-	1,507	-	1,507	1,678
Other program expense	1,881	25,110	3,947	-	29,057	28,736
Travel	1,847	16,356	9,625	173	26,154	24,519
Contribution and direct mail	-	-	1,667	123,626	125,293	131,204
Special events	-	-	-	90,759	90,759	82,384
Depreciation	4,369	186,075	14,606	-	200,681	205,250
Total expenses	\$ 85,671	\$ 5,813,348	\$ 335,136	\$ 557,994	\$ 6,706,478	\$ 6,563,263

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

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,103,904	\$ 87,043
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	200,681	205,250
Unrealized loss (gain) on investments	15,693	(39,031)
Realized gain on sale of investments	(15,595)	(6,312)
Receipt of donated stock	(29,008)	(35,395)
Changes in operating assets and liabilities -		
(Increase) decrease in pledges receivable	(25,000)	30,000
Decrease in grants receivable	96,913	212,864
Decrease in other receivables	391	3,182
Decrease in other assets	3,646	7,140
Increase in accounts payable	17,085	42,799
Increase in accrued payroll	25,077	10,670
Increase in accrued vacation	26,057	1,120
(Decrease) increase in deferred revenue	(19,732)	19,732
Decrease in resident liability account	(190)	(2,651)
Net Cash Provided by Operating Activities	1,399,922	536,411
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted cash	190	2,597
Purchase of investments	(63,226)	(50,076)
Proceeds from sales of investments	-	5,000
Purchase of property and equipment	(153,204)	(48,552)
Net Cash Used in Investing Activities	(216,240)	(91,031)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loan payable	(4,872)	(4,700)
Net Cash Used in Financing Activities	(4,872)	(4,700)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,178,810	440,680
CASH AND CASH EQUIVALENTS -		
Beginning of year	539,431	98,751
End of year	\$ 1,718,241	\$ 539,431
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Taxes paid	\$ -	\$ -
Interest paid	\$ 1,507	\$ 1,678

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

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. NATURE OF ORGANIZATION

Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc. (PADS) is a not-for-profit organization concerned with the dignity and reclamation of homeless and hungry persons in the Aurora, Illinois area. PADS is linked in mutual efforts with the Aurora Area Interfaith Food Pantry, Association for Individual Development, Aurora University Harvesting Hope Children's Program, Breaking Free, Inc., IL Department of Veterans' Affairs, Marmion Academy, Open Door Clinic, Inc., Prairie State Legal Services, Waubensee Community College, and Aunt Martha's Healthcare Clinic to provide these services. PADS is funded by contracts from government agencies, primarily HUD and IDHS, as well as contributions from foundations, corporations and individuals.

The primary function of PADS is to provide food, overnight shelter, daytime drop-in center for homeless individuals, and a round-the-clock transitional living community. The programs of PADS include the PADS Overnight Emergency Shelter (PADS OES), PADS Daytime Drop-In Center (PADS AM), Sowing Empowerment, Embracing Dignity, and Self-Sufficiency Case Management Services (SEEDS), Permanent Support Housing (LIGHT-House), Transitional Living Community (TLC), Homeless Prevention (Carpenter's), and Meals and Feeding Program (Soup Kitchen). Effective August 2018, the TLC program ended. The Organization is in the process of renovating space at their location and opening a new emergency family shelter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables and other liabilities.

Basis of Presentation - Under generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The Organization reports contributions and grants with donor-imposed restrictions that are met in the same year as temporarily restricted revenues, and reflects their

PUBLIC ACTION TO DELIVER SHELTER, INC.
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NOTES TO FINANCIAL STATEMENTS
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satisfaction of restrictions as a transfer to unrestricted net assets on the Statement of Activities.

Statements of Cash Flows - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - Investments are stated at fair market value in the accompanying financial statements. The market value of investments is generally determined based on quoted market price or estimated fair value. Realized and unrealized investment gains, losses, and income are reported in PADS' statement of activities.

Subsequent Events - PADS has evaluated subsequent events through October 26, 2018, the date on which the financial statements were available to be issued, and determined that there were no significant nonrecognized subsequent events through that date.

Grants Receivable - Grants receivable consists of amounts awarded, but not yet paid, and are due within the next year. The grants will be expended on economic development and homeless prevention.

Property and Equipment - Property and equipment are recorded at cost or estimated fair value, if donated. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. PADS generally capitalizes purchases of fixed assets in excess of \$5,000 with a useful life of one year or greater. Gains or losses on dispositions of property and equipment are included in income. Depreciation is computed under the straight-line method over the estimated useful lives of the assets ranging from five to twenty years.

Contributions - Contributions are recognized when the donor makes a promise to give to PADS that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets and are transferred to unrestricted net assets when the restrictions are satisfied or expire.

Certain contributed supplies and consumable goods are recorded as support and expenses at fair market value at the time of the donation. Contributed services that

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.
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JUNE 30, 2018

meet the criteria under accounting principles generally accepted in the United States of America are recorded as support and expenses at values indicated by the individuals who contribute the specialized services.

Use of Accounting 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 the 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.

Functional Allocation of Expenses - The costs of providing PADS various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Revenue - Deferred revenue consists of government funds received but not expended at the end of the year.

Net Assets - PADS classifies net assets as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted net assets of PADS are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets may be further classified into designated and undesignated with designated assets representing funds set aside at the discretion of the Board for certain purposes. As of June 30, 2018, the Board has designated \$150,000 for general reserves.

Temporarily restricted net assets of PADS result (a) from contributions and other inflows of assets whose use by PADS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of PADS pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of PADS pursuant to those stipulations. See Note 11 for description of these funds.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
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Permanently restricted net assets of PADS result (a) from contributions and other inflows of assets whose use by PADS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of PADS, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets at June 30, 2018.

Fair Value Measurements - PADS measures fair value in accordance with generally accepted accounting principles, which establish a definition of fair value and a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable value inputs. PADS significant financial instruments include cash, accounts receivable and debt. For these financial instruments, carrying values approximate fair value.

Tax-Exempt Status - PADS has been classified as “not a private foundation” and has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code pursuant to a letter dated October 5, 1984. Accordingly, no provision for income taxes is included in the financial statements.

PADS follows authoritative guidance issued by FASB that clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses derecognition, classification, interest and penalties, disclosure, and transition. PADS conducts business solely in the U.S. and, as a result, files information returns for the U.S. and Illinois. In the normal course of business, PADS is subject to examination by taxing authorities.

PADS’ information returns are open, by statute, for review by authorities generally for three years after being filed. However, at present, there are no ongoing income tax audits or unresolved disputes with the various tax authorities that PADS currently files or has filed with.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

3. CASH AND CASH EQUIVALENTS

Restricted Cash - Restricted cash represents cash held by PADS on behalf of residents. Funds are disbursed from this account per the direction of the individual resident.

Concentrations of Cash - Cash held by PADS in bank accounts may at times exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management believes the organization is not exposed to any significant risk related to cash.

4. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2018 consisted of unconditional promises to give totaling \$65,000 which is expected to be received in the next two or three years. Management has assessed collectability and determined no allowance for doubtful accounts is necessary.

5. GRANTS RECEIVABLE

Grants receivable consist of amounts due from various governmental agencies totaling \$30,408 at June 30, 2018. Management has assessed the collectability of the grants receivable based on historical trends and current information and believe all amounts are collectible. As such, no allowance for doubtful accounts has been established.

6. IN-KIND DONATIONS

PADS receives a substantial amount of contributed supplies and services that are used in their various programs. Contributed supplies include perishable food items and nonperishable supplies including medical prescriptions and clothing. For the year ended June 30, 2018, the total amount of contributed supplies was \$2,078,064. Contributed services include a free on-site medical clinic and legal clinic. For the year ended June 30, 2018, the total value of contributed services was \$1,117,157.

7. INVESTMENTS

The Organization follows generally accepted accounting principles for fair value measurement. Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an

PUBLIC ACTION TO DELIVER SHELTER, INC.
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orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Generally accepted accounting principles related to fair value disclosure also establish a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value measurements recorded on a recurring basis at June 30, 2018 were as follows:

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Stocks	\$ 117,496	\$ -	\$ -	\$ 117,496
Exchange-traded and other funds	240,677	-	-	240,677
Corporate bonds	-	35,656	-	35,656
Mutual funds	589,731	-	-	589,731
Unit investment trusts	-	15,245	-	15,245
Total				
Investments	<u>\$ 947,904</u>	<u>\$ 50,901</u>	<u>\$ -</u>	<u>\$ 998,805</u>
Cash and cash equivalents within brokerage accounts				<u>27,689</u>
Total				<u>\$ 1,026,494</u>

Total investment return consists of the following for the year ended June 30, 2018:

Interest and dividend income	\$ 32,406
Realized gain on sale of investments	15,595
Unrealized loss on investments	<u>(15,693)</u>
Total Investment Income	<u>\$ 32,308</u>

The Organization's stocks, exchange-traded funds and mutual funds are classified within Level 1 and valued based on quoted market prices and are deemed to be actively traded. Securities included in Level 1 are valued using closing prices for identical instruments that are traded on active exchanges. Corporate bonds are Level 2 investments and are valued based on model-based pricing methods that use observable market data as inputs. Broker dealer bids or quotes of securities with similar characteristics may also be used. Unit investment trusts are not actively traded and the value is based on the underlying investment's quoted market prices.

Investment securities are exposed to various risks including interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

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NOTES TO FINANCIAL STATEMENTS
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8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018:

Land	\$	117,986
Building and improvements		4,094,197
Furniture and equipment		<u>738,737</u>
Subtotal		4,950,920
Less: accumulated depreciation		<u>(2,925,982)</u>
	\$	<u><u>2,024,938</u></u>

Depreciation expense totaled \$200,681 for the year ended June 30, 2018.

9. LOAN PAYABLE

On August 21, 2008, PADS entered into a construction loan for up to \$700,000, with a 15-year promissory note for the purchase of property due February 29, 2023.

The note has an interest rate which adjusts every five years from the first day of the first full month after the loan closing date. The interest rate adjusts to 125 basis points over current U.S. Treasury rate. The interest rate was adjusted on July 1, 2015 to 3.58%. The next interest rate adjustment date is July 1, 2020.

This loan is secured by the land and building purchased with the loan proceeds. The outstanding balance on the loan at June 30, 2018 is \$39,448.

Maturities of the loan are as follows for the years ended June 30:

2019	\$	5,034
2020		5,217
2021		5,407
2022		5,604
2023		5,808
Thereafter		<u>12,378</u>
	\$	<u><u>39,448</u></u>

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
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10. RETIREMENT PLAN

PADS maintains a simple defined contribution retirement plan for all regular (full-time and part-time) employees who meet eligibility requirements regarding term of service. PADS matches the employee deferral on a dollar-for-dollar basis, up to a maximum of 3% of employee salary. The matching contributions to the plan were \$28,311 for the year ended June 30, 2018, and are included in employee benefit expenses.

11. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018, PADS had temporarily restricted net assets available for the following purposes:

Marchesani Scholarship Fund	\$	138,599
Tuberculosis Prevention		11,779
HEAT Workforce Development		110,857
Capital improvements		420,250
Family Shelter		240,770
Harbor		110,790
Other		23,936
		<hr/>
Total Temporarily Restricted Net Assets	\$	<u>1,056,981</u>

12. CONTINGENCY

The Organization has received significant revenues 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. Any disallowed claims resulting from such audits could become a liability.

13. CONCENTRATIONS

In the current year, a significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Organization's market is concentrated in the Aurora, Illinois, geographical area.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

14. NEW ACCOUNTING STANDARDS UPDATE

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 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 year June 30, 2019. Amendments will need to be applied retrospectively.

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. Early adoption is permitted. The updated standard will be effective for the fiscal year June 30, 2019.

The Organization is currently evaluating the potential impact of the adoption of these standards on the Organization's financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc.
Aurora, 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 Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, statements of functional expenses and revenues and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc.' 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 Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc.' 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 Public Action to Deliver Shelter, Inc. d/b/a Hesed House, Inc.'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

October 26, 2018
Oak Park, Illinois