

**Public Action to Deliver
Shelter, Inc.
d/b/a Hesed House**

Annual Financial Report
June 30, 2019

Sassetti



CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5 - 6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 17
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
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	20 - 21
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	22 - 23
Schedule of Findings and Questioned Costs	24 - 25



Board of Directors
Public Action to Deliver Shelter, Inc.
d/b/a Hesed House
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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 as of June 30, 2019, and



the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2018 financial statements, and our report dated October 26, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2019, on our consideration of Public Action to Deliver Shelter, Inc. d/b/a Hesed House'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 Public Action to Deliver Shelter, Inc. d/b/a Hesed House's internal control over financial reporting and compliance.

Sassetti LLC

Oak Park, Illinois
October 21, 2019

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,076,605	\$ 1,718,241
Restricted cash	-	4,470
Investments	1,277,680	1,026,494
Pledges receivable	-	65,000
Grants and contracts receivable	179,497	30,408
Other receivables	19,672	936
Other assets	14,339	25,558
Property and equipment, net	2,395,678	2,024,938
Total Assets	\$ 4,963,471	\$ 4,896,045
LIABILITIES		
Accounts payable	\$ 81,848	\$ 86,609
Accrued payroll	40,768	60,389
Accrued vacation	107,057	100,216
Resident liability account	-	4,470
Loan payable	34,826	39,448
Total Liabilities	264,499	291,132
NET ASSETS		
Without donor restrictions	4,114,050	3,397,932
Board designated	150,000	150,000
Total net assets without donor restrictions	4,264,050	3,547,932
With donor restrictions	434,922	1,056,981
Total net assets	4,698,972	4,604,913
Total Liabilities and Net Assets	\$ 4,963,471	\$ 4,896,045

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

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
REVENUES AND OTHER SUPPORT				
Contributions	1,635,355	\$ 8,197	\$ 1,643,552	\$ 1,659,915
Contributions, in-kind	2,986,765	-	2,986,765	3,195,221
Grants	1,776,545	51,000	1,827,545	2,104,779
Special events	787,211	-	787,211	756,413
TLC resident income	-	-	-	2,459
Investment income	59,689	-	59,689	32,308
Miscellaneous income	86,579	-	86,579	59,287
Net assets released from restrictions	681,256	(681,256)	-	-
Total Revenues and Other Support	8,013,400	(622,059)	7,391,341	7,810,382
EXPENSES				
Program services	6,119,049	-	6,119,049	5,813,348
Administrative and general	569,122	-	569,122	335,136
Fundraising	609,111	-	609,111	557,994
Total Expenses	7,297,282	-	7,297,282	6,706,478
CHANGE IN NET ASSETS	716,118	(622,059)	94,059	1,103,904
NET ASSETS				
Beginning of year	3,547,932	1,056,981	4,604,913	3,501,009
End of year	<u>\$ 4,264,050</u>	<u>\$ 434,922</u>	<u>\$ 4,698,972</u>	<u>\$ 4,604,913</u>

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

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	Program Services									
	PADS OES	PADS AM	TLC	SEEDS	Light-House	Partner Agencies	Carpenter's Homeless Prevention	Soup Kitchen		
Staff salaries	\$ 313,557	\$ 109,257	\$ 41,640	\$ 120,108	\$ 304,441	\$ 7,400	\$ 89,345	\$ 7,229		
Other staff benefits	82,219	30,741	25,445	34,871	40,617	5,126	27,128	1,579		
Supplies	15,538	48,000	14,793	17,156	4,249	-	739	2,332		
Rent and housing expense	-	-	15,094	14,803	334,042	-	171,227	-		
Supplies - in-kind	662,612	511,822	-	122,461	-	-	-	-		153,229
Services - in-kind	213,772	247,351	-	210,528	-	-	-	-		-
Professional services	1,885	1,885	146	950	-	-	-	-		-
Communication	-	-	93	1,477	498	-	-	-		-
Repairs and maintenance	3,167	85	-	-	-	-	-	-		-
Occupancy	65,339	38,022	7,897	2,887	3,201	21,059	1,074	2,725		
Insurance	5,880	3,836	761	6,280	2,349	1,023	1,032	256		
Interest expense	-	-	-	-	-	-	-	-		-
Other program expense	1,923	1,203	13,168	17,534	3,577	-	320	-		-
Travel	1,712	1,166	1,182	5,013	3,150	289	2,007	72		
Contribution and direct mail	-	-	-	-	-	-	-	-		-
Special events	-	-	-	-	-	-	-	-		-
Depreciation	47,182	16,218	-	42,846	14,064	4,907	8,971	6,782		
Total expenses	\$ 1,414,786	\$ 1,009,586	\$ 120,219	\$ 596,914	\$ 710,188	\$ 39,804	\$ 301,843	\$ 174,204		

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

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	Program Services			Support Services			Totals	
	Family Shelter	Harbor	Other	Total Program Services	Administrative and General	Fundraising	2019	2018
Staff salaries	\$ 222,419	\$ 247,148	\$ 35,000	\$ 1,497,544	\$ 189,107	\$ 154,629	\$ 1,841,280	\$ 1,570,687
Other staff benefits	34,855	42,202	3,381	328,164	57,657	55,556	441,377	362,771
Supplies	33,170	14,955	2,004	152,936	29,610	1,110	183,656	180,450
Rent and housing expense	-	-	-	535,166	-	-	535,166	402,549
Supplies - in-kind	138,895	400,543	-	1,989,562	-	-	1,989,562	2,078,064
Services - in-kind	19,191	222,385	83,976	997,203	-	-	997,203	1,117,157
Professional services	1,064	-	850	6,780	108,258	23,160	138,198	84,633
Communication	1,599	763	(3,859)	571	20,696	1,988	23,255	20,062
Repairs and maintenance	9,631	1,240	-	14,123	13,163	15,049	42,335	36,640
Occupancy	27,331	56,237	2,298	228,070	106,413	1,207	335,690	264,287
Insurance	3,347	3,347	403	28,514	19,922	-	48,436	46,637
Interest expense	-	-	-	-	1,226	-	1,226	1,507
Other program expense	11,280	865	45,764	95,634	8,828	-	104,462	98,147
Travel	1,674	1,283	3,534	21,082	8,236	356	29,674	26,154
Contribution and direct mail	-	-	-	-	2,288	195,295	197,583	125,293
Special events	-	-	-	-	-	160,761	160,761	90,759
Depreciation	38,626	38,626	5,478	223,700	3,718	-	227,418	200,681
Total expenses	\$ 543,082	\$ 1,029,594	\$ 178,829	\$ 6,119,049	\$ 569,122	\$ 609,111	\$ 7,297,282	\$ 6,706,478

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

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 94,059	\$ 1,103,904
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	227,418	200,681
Unrealized loss on investments	7,667	15,693
Realized gain on sale of investments	(22,033)	(15,595)
Receipt of donated stock	(25,684)	(29,008)
Changes in operating assets and liabilities -		
Decrease (increase) in pledges receivable	65,000	(25,000)
(Increase) decrease in grants receivable	(149,090)	96,913
(Increase) decrease in other receivables	(18,736)	391
Decrease in other assets	11,219	3,646
(Decrease) increase in accounts payable	(4,761)	17,085
(Decrease) increase in accrued payroll	(19,621)	25,077
Increase in accrued vacation	6,841	26,057
Decrease in deferred revenue	-	(19,732)
Decrease in resident liability account	(4,470)	(190)
Net Cash Provided by Operating Activities	167,809	1,399,922
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted cash	4,470	190
Purchase of investments	(211,136)	(63,226)
Purchase of property and equipment	(598,157)	(153,204)
Net Cash Used in Investing Activities	(804,823)	(216,240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loan payable	(4,622)	(4,872)
Net Cash Used in Financing Activities	(4,622)	(4,872)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(641,636)	1,178,810
CASH AND CASH EQUIVALENTS -		
Beginning of year	1,718,241	539,431
End of year	\$ 1,076,605	\$ 1,718,241
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Taxes paid	\$ -	\$ -
Interest paid	\$ 1,226	\$ 1,507

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

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. NATURE OF ORGANIZATION

Public Action to Deliver Shelter, Inc. d/b/a Hesed House (PADS) is a not-for-profit organization concerned with the dignity and reclamation of homeless individuals and families 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, Open Door Clinic, Inc., Prairie State Legal Services, Mutual Ground, NIU Legal Clinic 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 family shelter. 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), on-site Permanent Supportive Housing (Harbor), Family Shelter, Homeless Prevention (Carpenter's), and Meals and Feeding Program (Soup Kitchen). Effective August 2018, the Transitional Living Community (TLC) program ended.

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.

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 as investment income.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

Subsequent Events - Management has evaluated subsequent events through October 21, 2019, 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 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-five years.

Net Assets - PADS classifies net assets as without donor restrictions or with donor restrictions.

Net assets without donor restrictions are not restricted by donor-imposed stipulations. These 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, 2019, the Board has designated \$150,000 for general reserves.

Net assets with donor restrictions represent assets with donor-imposed time or use restrictions that will be met by the passage of time or the actions of the Organization.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Contributions - Contributions are recognized when the donor makes a promise to give to PADS that is, in substance, unconditional. Contributions that are not restricted by the donor are reported as increases in net assets without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions is reported as increases in net assets with donor restrictions. When a restriction expires (that, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

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 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.

Revenue Recognition – The Organization receives government revenue from federal, state, county and city agencies. The Organization recognizes revenue as services provided, in amounts provided for under the terms of the underlying agreements. Program service fee revenues are recognized when earned.

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 - Indirect functional expenses have been allocated between applicable program services based on an analysis of personnel time or square footage of space utilized for the related activities, or ratio of program direct salaries to total direct salaries. Expenses directly attributable to a specific program or functional area are reported as expenses of those functional areas. Expenses allocated include: salaries, occupancy, repairs, insurance, utilities and supplies.

Reclassifications - Certain amounts in the June 30, 2018 comparative totals have been reclassified to conform to the current presentation.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

Recently Adopted Accounting Pronouncements - In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. The major changes include: (a) requiring the presentation of only two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes, and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new standard was adopted for the Organization's June 30, 2019 financial statements.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

3. CASH AND CASH EQUIVALENTS

Restricted Cash - Restricted cash represents cash held by PADS on behalf of TLC residents. Funds are disbursed from this account per the direction of the individual resident. With the end of the TLC program, these funds were disbursed.

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. GRANTS RECEIVABLE

Grants receivable consist of amounts due from various governmental agencies totaling \$179,497 at June 30, 2019. 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.

5. 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, 2019, the total amount of contributed supplies was \$1,989,562. Contributed services include a free on-site medical clinic and legal clinic. For the year ended June 30, 2019, the total value of contributed services was \$997,203.

6. 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 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.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Exchange-traded and other funds	\$ 305,110	\$ -	\$ -	\$ 305,110
Mutual funds	<u>916,029</u>	<u>-</u>	<u>-</u>	<u>916,029</u>
Total Investments	<u>\$ 1,221,139</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 1,221,139
Cash and cash equivalents within brokerage accounts				<u>56,541</u>
Total				<u>\$ 1,277,680</u>

Total investment return consists of the following for the year ended June 30, 2019:

Interest and dividend income	\$ 45,323
Realized gain on sale of investments	22,033
Unrealized loss on investments	<u>(7,667)</u>
Total Investment Income	<u>\$ 59,689</u>

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The Organization's 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.

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.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019:

Land	\$ 117,986
Building and improvements	4,618,441
Furniture and equipment	<u>812,651</u>
Subtotal	5,549,078
Less: accumulated depreciation	<u>(3,153,400)</u>
	<u><u>\$ 2,395,678</u></u>

Depreciation expense totaled \$227,418 for the year ended June 30, 2019.

8. 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, 2019 is \$34,826.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

2020	\$	5,217
2021		5,407
2022		5,604
2023		5,808
2024		6,019
Thereafter		6,771
	\$	34,826

9. 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 \$32,288 for the year ended June 30, 2019, and are included in employee benefit expenses.

10. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019, PADS had with donor restrictions net assets available for the following purposes:

Marchesani Scholarship Fund	\$	139,776
Tuberculosis Prevention		382
HEAT Workforce Development		47,497
Capital improvements		200,062
Family Shelter		25,000
SEEDS		20,000
Other		2,205
Total With Donor Restrictions Net Assets	\$	434,922

11. 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,

**PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability.

12. 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 Aurora, Illinois, and surrounding suburbs geographical area.

13. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization typically operates on a consistent annual cycle, with known recurring expenditures that include; payroll, supplies, rent, travel and other expenditures as a result of fulfilling the Organization's mission. Due to the general predictability of its annual operations, the Organization is able to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization may liquidate investment positions with board approval.

The Organization's financial assets available for general expenditure within one year of the statement of financial position date of June 30, 2019, are as follows:

Cash and cash equivalents	\$ 1,076,605
Grants and contracts receivable	179,497
Other receivables	19,672
Investments	1,277,680
Less: Contributions restricted for non-operating expenditures:	
Capital improvements	(200,062)
Marchesani Scholarship Fund	<u>(139,776)</u>
 Total financial assets available to management for general expenditure within one year	 <u><u>\$ 2,213,616</u></u>

14. NEW ACCOUNTING STANDARDS UPDATE

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

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2020.

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.

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

Single Audit Reporting
Year ended June 30, 2019

Sassetti



CERTIFIED PUBLIC ACCOUNTANTS

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CDFA Number	Pass Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Continuum of Care	*	14.267	N/A
			\$ 669,807
Pass-through Illinois Department of Human Services:			
Emergency Solutions Grant Program	14.231	FCSXH03797	98,546
Pass-through County of Kane:			
Community Development Block Grants/Entitlement Grants	14.218	N/A	30,240
Pass-through City of Aurora:			
Community Development Block Grants/Entitlement Grants	14.218	N/A	36,496
Total U.S. Department of Housing and Urban Development:			835,089
 U.S. Department Homeland Security:			
Pass-through Fox Valley United Way			
Emergency Food and Shelter National Board Program	97.024	N/A	30,378
Total U.S. Department of Homeland Security:			30,378
 Total Expenditures of Federal Awards			\$ 865,467

* Audited as a major program.

See Notes to Schedule of Federal Awards

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Public Action to Deliver Shelter, Inc. d/b/a Hesed House under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Public Action to Deliver Shelter, Inc. d/b/a Hesed House, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Public Action to Deliver Shelter, Inc. d/b/a Hesed House. 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

Public Action to Deliver Shelter, Inc. d/b/a Hesed House provided no Federal awards to sub-recipients during the year ended June 30, 2019.

Non - Cash Assistance

Public Action to Deliver Shelter, Inc. d/b/a Hesed House neither received nor disbursed Federal awards in the form of non-monetary assistance during the year ended June 30, 2019.

Insurance, Loans, and Loan Guarantees

During the year ended June 30, 2019, Public Action to Deliver Shelter, Inc. d/b/a Hesed House 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
Public Action to Deliver Shelter, Inc.
d/b/a Hesed House
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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, statements of functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2019.

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's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Public Action to Deliver Shelter, Inc. d/b/a Hesed House'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 Public Action to Deliver Shelter, Inc. d/b/a Hased House'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 21, 2019
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
Public Action to Deliver Shelter, Inc.
d/b/a Hesed House
Aurora, Illinois

Report on Compliance for Each Major Federal Program

We have audited Public Action to Deliver Shelter, Inc. d/b/a Hesed House'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 Public Action to Deliver Shelter, Inc. d/b/a Hesed House's major federal programs for the year ended June 30, 2019. Public Action to Deliver Shelter, Inc. d/b/a Hesed House's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Public Action to Deliver Shelter, Inc. d/b/a Hesed House'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 Public Action to Deliver Shelter, Inc. d/b/a Hesed House'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 Public Action to Deliver Shelter, Inc. d/b/a Hesed House's compliance.

Opinion on Each Major Federal Program

In our opinion, Public Action to Deliver Shelter, Inc. d/b/a Hesed House complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



Report on Internal Control Over Compliance

Management of Public Action to Deliver Shelter, Inc. d/b/a Hesed House 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 Public Action to Deliver Shelter, Inc. d/b/a Hesed House'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 Public Action to Deliver Shelter, Inc. d/b/a Hesed House's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sassetti LLC

October 21, 2019
Oak Park, Illinois

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

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

Federal Awards Section

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

PART II - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

PART III - FEDERAL PROGRAM AUDIT FINDINGS

NONE

PART IV - SUMMARY OF PRIOR AUDIT FINDINGS

NONE