

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

Financial Statements
June 30, 2020

Sassetti



CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' 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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2020, and



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

Report on Summarized Comparative Information

We have previously audited the June 30, 2019 financial statements, and our report dated October 21, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2020, 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

December 7, 2020

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020, WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,728,043	\$ 1,076,605
Investments	1,318,861	1,277,680
Grants and contracts receivable	678,796	179,497
Other receivables	4,874	19,672
Other assets	26,910	14,339
Property and equipment, net	2,609,891	2,395,678
Total Assets	\$ 6,367,375	\$ 4,963,471
LIABILITIES		
Accounts payable	\$ 65,097	\$ 81,848
Accrued payroll	76,440	40,768
Accrued vacation	101,183	107,057
Paycheck Protection Program loan	376,300	-
Loan payable	-	34,826
Total Liabilities	619,020	264,499
NET ASSETS		
Without donor restrictions	5,334,847	4,114,050
Board designated	150,000	150,000
Total net assets without donor restrictions	5,484,847	4,264,050
With donor restrictions	263,508	434,922
Total net assets	5,748,355	4,698,972
Total Liabilities and Net Assets	\$ 6,367,375	\$ 4,963,471

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

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
REVENUES AND OTHER SUPPORT				
Contributions	2,780,305	\$ 78,200	\$ 2,858,505	\$ 1,643,552
Contributions, in-kind	4,275,938	-	4,275,938	2,986,765
Grants	2,534,480	113,019	2,647,499	1,827,545
Special events	440,561	-	440,561	787,211
TLC resident income	-	-	-	-
Investment income	31,765	438	32,203	59,689
Miscellaneous income	82,657	-	82,657	86,579
Gain on sales of fixed assets	450	-	450	-
Net assets released from restrictions	363,071	(363,071)	-	-
Total Revenues and Other Support	10,509,227	(171,414)	10,337,813	7,391,341
EXPENSES				
Program services	8,125,052	-	8,125,052	6,119,049
Administrative and general	619,034	-	619,034	569,122
Fundraising	544,344	-	544,344	609,111
Total Expenses	9,288,430	-	9,288,430	7,297,282
CHANGE IN NET ASSETS	1,220,797	(171,414)	1,049,383	94,059
NET ASSETS				
Beginning of year	4,264,050	434,922	4,698,972	4,604,913
End of year	<u>\$ 5,484,847</u>	<u>\$ 263,508</u>	<u>\$ 5,748,355</u>	<u>\$ 4,698,972</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, 2020,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	Program Services									
	PADS OES	PADS AM	SEEDS	Light-House	Partner Agencies	Carpenter's Homeless Prevention	Family Shelter	Harbor		
Staff salaries	\$ 782,373	\$ 31,939	\$ 91,055	\$ 371,487	\$ 1,556	\$ 76,945	\$ 141,912	\$ 286,170		
Other staff benefits	104,132	35,348	29,788	68,031	2,403	15,471	48,914	63,416		
Supplies	75,758	30,518	11,999	8,384	-	(183)	38,870	21,131		
Rent and housing expense	-	-	5,025	373,252	-	246,406	21,559	268		
Supplies - in-kind	842,611	566,126	176,686	-	-	-	184,257	503,816		
Services - in-kind	960,925	328,227	276,019	-	-	-	30,220	296,620		
Professional services	1,667	1,667	1,667	-	-	-	11,492	-		
Communication	526	150	1,577	21	-	-	1,819	1,934		
Repairs and maintenance	33,092	6,826	-	10,517	-	-	15,347	14		
Occupancy	114,224	56,530	7,319	4,569	20,744	1,769	32,206	20,925		
Insurance	7,305	4,312	6,437	2,433	1,150	1,062	4,135	4,135		
Interest expense	-	-	-	-	-	-	-	-		
Other program expense	32,664	18,623	10,451	20,148	-	1,045	65,256	1,274		
Travel	8,492	1,463	3,237	6,036	289	762	2,227	1,730		
Contribution and direct mail	-	-	2	-	-	-	240	-		
Special events	-	-	-	-	-	-	-	-		
Depreciation	-	-	-	-	-	-	-	-		
	56,327	17,224	45,488	14,738	5,123	9,438	40,588	40,588		
Total expenses	\$ 3,020,096	\$ 1,098,953	\$ 666,750	\$ 879,616	\$ 31,265	\$ 352,715	\$ 639,042	\$ 1,242,021		

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, 2020,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	Program Services		Support Services			Totals	
	Other	Total Program Services	Administrative and General	Fundraising	2020	2019	
Staff salaries	\$ 46,520	\$ 1,829,957	\$ 171,296	\$ 238,581	\$ 2,239,834	\$ 1,841,280	
Other staff benefits	3,434	370,937	55,486	48,830	475,253	441,377	
Supplies	433	186,910	32,128	2,152	221,190	183,656	
Rent and housing expense	13,918	660,428	-	-	660,428	535,166	
Supplies - in-kind	-	2,273,496	-	-	2,273,496	1,989,562	
Services - in-kind	110,431	2,002,442	-	-	2,002,442	997,203	
Professional services	1,667	18,160	108,371	37,482	164,013	138,198	
Communication	520	6,547	31,406	3,423	41,376	23,255	
Repairs and maintenance	-	65,796	21,323	12,929	100,048	42,335	
Occupancy	2,414	260,700	144,307	856	405,863	335,690	
Insurance	398	31,367	19,922	-	51,289	48,436	
Interest expense	-	-	1,222	-	1,222	1,226	
Other program expense	6,362	155,823	8,999	16,196	181,018	104,462	
Travel	2,828	27,064	10,327	764	38,155	29,674	
Contribution and direct mail	-	242	15	144,354	144,611	197,583	
Special events	-	-	-	38,777	38,777	160,761	
Depreciation	5,669	235,183	14,232	-	249,415	227,418	
Total expenses	\$ 194,594	\$ 8,125,052	\$ 619,034	\$ 544,344	\$ 9,288,430	\$ 7,297,282	

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,049,383	\$ 94,059
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	249,415	227,418
Unrealized (gain)/loss on investments	(44,209)	7,667
Realized loss/(gain) on sale of investments	52,206	(22,033)
Receipt of donated stock	(17,646)	(25,684)
Realized gain on sale of fixed assets	(450)	-
Changes in operating assets and liabilities -		
Decrease in pledges receivable	-	65,000
Increase in grants receivable	(499,299)	(149,090)
Decrease (increase) in other receivables	14,798	(18,736)
(Increase) decrease in other assets	(12,571)	11,219
Decrease in accounts payable	(16,751)	(4,761)
Increase (decrease) in accrued payroll	35,672	(19,621)
(Decrease) increase in accrued vacation	(5,874)	6,841
Decrease in resident liability account	-	(4,470)
Net Cash Provided by Operating Activities	804,674	167,809
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted cash	-	4,470
Proceeds from sales of investments	6,100	-
Purchase of investments	(27,484)	(211,136)
Proceeds from sales of property and equipment	450	-
Purchase of property and equipment	(463,628)	(598,157)
Net Cash Used in Investing Activities	(484,562)	(804,823)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loan payable	(34,826)	(4,622)
Proceeds from Paycheck Protection Program loan	376,300	-
Net Cash Provided by (Used in) Financing Activities	341,474	(4,622)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	661,586	(641,636)
CASH AND CASH EQUIVALENTS -		
Beginning of year	1,076,605	1,718,241
End of year	\$ 1,738,191	\$ 1,076,605
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Taxes paid	\$ -	\$ -
Interest paid	\$ 1,222	\$ 1,226

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, 2020

1. NATURE OF ORGANIZATION

Public Action to Deliver Shelter, Inc. d/b/a Hesed House (“PADS” or the “Organization”) 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). The Meals and Feeding Program expenses are included in the PADS Daytime Drop-In Center program on the Statement of Functional Expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of PADS 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 – PADS 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, income and investment management fees 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, 2020

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.

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, 2020, 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 PADS.

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 are reported

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

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.

Government Grants – Government grants are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, contract or other allowable cost manual are made. Any cash received for revenue not yet earned is considered to be deferred revenue. Revenue earned but not yet paid to PADS is included in grants and contracts receivable. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these grants or contracts, PADS records the disallowance at the time the final assessment is made.

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.

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Comparative Financial Information – The financial information shown for fiscal year 2019 in the accompanying financial statements is included to provide a basis for comparison with 2020. The comparative information is summarized by totals only, and such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such

PUBLIC ACTION TO DELIVER SHELTER, INC.
d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

information should be read in conjunction with PADS' financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent Events - Management has evaluated subsequent events through December 7, 2020, the date on which the financial statements were available to be issued.

3. GRANTS RECEIVABLE

Grants receivable consist of amounts due from various governmental agencies totaling \$678,796 at June 30, 2020. Management has assessed the collectability of the grants receivable based on historical trends and current information and believes all amounts are collectible. As such, no allowance for uncollectible grants has been established.

4. 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, 2020, the total amount of contributed supplies and facilities was \$2,273,496. Contributed services include a free on-site medical clinic and legal clinic. For the year ended June 30, 2020, the total value of contributed services was \$2,002,442.

5. INVESTMENTS

PADS 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, PADS 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.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Generally accepted accounting principles related to fair value disclosure also establish a fair value hierarchy that requires PADS 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, 2020 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	\$ 211,436	\$ -	\$ -	\$ 211,436
Mutual funds	<u>1,032,980</u>	<u>-</u>	<u>-</u>	<u>1,032,980</u>
Total Investments	<u>\$ 1,244,416</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 1,244,416
Cash and cash equivalents within brokerage accounts				<u>74,445</u>
Total				<u>\$ 1,318,861</u>

Total investment return consists of the following for the year ended June 30, 2020:

Interest and dividend income	\$ 40,200
Realized loss on sale of investments	(42,058)
Unrealized gain on investments	44,209
Investment expenses	<u>(10,148)</u>
Total Investment Income	<u>\$ 32,203</u>

PUBLIC ACTION TO DELIVER SHELTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

PADS' 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.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020:

Land	\$ 117,986
Building and improvements	5,053,656
Furniture and equipment	<u>836,064</u>
Subtotal	6,007,706
Less: accumulated depreciation	<u>(3,397,815)</u>
	<u><u>\$ 2,609,891</u></u>

Depreciation expense totaled \$249,415 for the year ended June 30, 2020.

7. PAYCHECK PROTECTION PROGRAM LOAN

On April 29, 2020, PADS entered into a loan agreement with a commercial bank for \$376,300, pursuant to the Paycheck Protection Program (the "PPP") of the CARES Act, which was enacted March 27, 2020. The application for these funds required PADS in good faith to certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization.

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

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d/b/a HESED HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Should the loan not be forgiven either in whole or in part, payments, including accrued interest, are due starting ten months after the covered period and matures on April 29, 2022.

8. 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 \$36,424 for the year ended June 30, 2020, and are included in employee benefit expenses.

9. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020, PADS had donor restricted net assets available for the following purposes:

Marchesani Scholarship Fund	\$	134,039
Singh/Kaur Fund		22,979
HEAT Workforce Development		20,929
COVID Assistance		15,000
PADS		10,000
OES refrigerator		5,000
Family Shelter		12,000
Medical needs of homeless clients		10,000
SEEDS		20,000
Other		13,561
		263,508
Total With Donor Restrictions Net Assets	\$	263,508

10. CONDITIONAL GRANTS

Conditional grants are grants that include a specific condition in order to earn the revenue. Conditional grants are not recorded in revenue until the condition of the grant is met (generally, when the service is provided). PADS has conditional grants from the Illinois Department of Human Services and the Department of Housing and Urban Development to provide housing services in the total amount of \$133,054 that are available to be used during fiscal year 2021 on qualifying expenses.

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11. CONTINGENCY

PADS 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.

12. CONCENTRATIONS

It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. In addition, twelve percent of PADS' grants were funded by the Illinois Department of Human Services. PADS' market is concentrated in Aurora, Illinois, and surrounding suburbs geographical area.

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

13. LIQUIDITY AND AVAILABILITY OF RESOURCES

PADS 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 its mission. Due to the general predictability of its annual operations, PADS 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, PADS may liquidate investment positions with board approval.

PADS' financial assets available for general expenditure within one year of the statement of financial position date of June 30, 2020, are as follows:

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Cash and cash equivalents	\$ 1,728,043
Grants and contracts receivable	678,796
Other receivables	4,874
Investments	1,318,861
Less: Contributions restricted for non-operating expenditures:	
Board designated	(150,000)
Marchesani Scholarship Fund	<u>(134,039)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,446,535</u>

14. UNCERTAINTIES AND COVID-19

On March 10, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the Legislation that directs federal emergency disaster response. PADS received a significant influx of funds and in-kind donations in order to help address and house homeless individuals during the pandemic. In addition, the annual special event was cancelled, and an online appeal occurred instead. PADS cannot predict how legal and regulatory responses to concerns about COVID-19 or other major public health issues will continue to impact the Organization. The total magnitude, timing, and duration of such potential financial impacts cannot be reasonably estimated at this time.

15. 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 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, 2021.

The FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958), which clarified the current standard and requires a not-for-profit to present contributed nonfinancial assets (in-kind contributions) as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of

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nonfinancial assets. The standard also requires some additional disclosure requirements. The standard is effective for annual reporting periods beginning after June 15, 2021.

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