



Erie Neighborhood House

Financial Statements
June 30, 2022

Sassetti



CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors
Erie Neighborhood House
Chicago, Illinois

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of Erie Neighborhood House (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Erie Neighborhood House as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Erie Neighborhood House and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Erie Neighborhood House's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial



likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Erie Neighborhood House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Erie Neighborhood House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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* 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 schedule of expenditures of federal awards 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 1, 2022, on our consideration of Erie Neighborhood 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 solely 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 effectiveness of Erie Neighborhood House's 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 Erie Neighborhood House's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Erie Neighborhood House's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sassetti LLC

Oak Brook, Illinois
December 5, 2022

ERIE NEIGHBORHOOD HOUSE
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022, WITH COMPARATIVE TOTALS FOR JUNE 30, 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 777,913	\$ 917,359
Investments	3,155,312	3,652,001
Accounts and pledges receivable, net	567,143	59,584
Due from governmental agencies, net	1,686,807	1,531,396
Prepaid expenses	34,900	18,499
Property and equipment, net	5,477,520	5,459,894
Total Assets	\$ 11,699,595	\$ 11,638,733
LIABILITIES		
Line of credit	\$ 705,500	\$ -
Accounts payable	263,271	191,809
Accrued expenses	348,972	318,582
Deferred revenue	89,865	78,841
Total Liabilities	1,407,608	589,232
NET ASSETS		
Without donor restrictions	9,125,087	10,238,648
With donor restrictions	1,166,900	810,853
Total net assets	10,291,987	11,049,501
Total Liabilities and Net Assets	\$ 11,699,595	\$ 11,638,733

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

ERIE NEIGHBORHOOD HOUSE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUE AND OTHER SUPPORT				
Contributions of cash and other financial assets	\$ 1,502,011	\$ 1,005,000	\$ 2,507,011	\$ 1,545,026
Contributions of nonfinancial assets	137,874	-	137,874	156,255
Special events	463,862	-	463,862	442,356
United Way of Chicago	35,001	-	35,001	48,042
Grants from governmental agencies	5,459,054	-	5,459,054	8,344,335
Subsidized childcare fees	1,341,089	-	1,341,089	1,351,394
Program fees	127,088	-	127,088	106,171
PPP loan forgiveness	-	-	-	1,253,800
Investment return, net	(421,512)	-	(421,512)	748,809
Miscellaneous income	31,382	-	31,382	-
Net assets released from restrictions	648,953	(648,953)	-	-
Total Revenue and Other Support	9,324,802	356,047	9,680,849	13,996,188
EXPENSES				
Program services	8,809,990	-	8,809,990	10,743,037
Management and general	1,041,018	-	1,041,018	481,827
Fundraising	587,355	-	587,355	525,121
Total Expenses	10,438,363	-	10,438,363	11,749,985
CHANGE IN NET ASSETS	(1,113,561)	356,047	(757,514)	2,246,203
NET ASSETS BEGINNING OF YEAR	10,238,648	810,853	11,049,501	8,803,298
NET ASSETS END OF YEAR	\$ 9,125,087	\$ 1,166,900	\$ 10,291,987	\$ 11,049,501

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

ERIE NEIGHBORHOOD HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	Supporting Services			Totals	
	Program Services	Management and General	Fundraising	2022	2021
Salaries	\$ 5,171,173	\$ 737,040	\$ 205,848	\$ 6,114,061	\$ 6,786,441
Payroll taxes	381,073	50,073	14,889	446,035	434,729
Insurance benefits	595,270	93,468	22,627	711,365	823,116
Retirement benefits	97,147	14,249	3,736	115,132	110,011
Professional fees	286,651	24,244	90,233	401,128	471,197
Contributed professional services	131,975	2,548	418	134,941	152,980
Contributed supplies	-	-	2,933	2,933	3,275
Contractual services	333,639	1,884	578	336,101	272,716
Program and office supplies	286,648	2,159	1,508	290,315	873,341
Duplicating expense	61,294	902	1,365	63,561	78,327
Cultural events	42,241	1,094	336	43,671	27,082
Parent involvement	15,314	-	-	15,314	17,755
Food	168,796	7	258	169,061	138,462
Telephone	57,656	5,147	1,948	64,751	50,520
Postage and shipping	5,359	167	1,547	7,073	5,796
Insurance - general	49,851	6,097	1,874	57,822	55,692
Occupancy	436,367	52,076	16,008	504,451	416,163
Vehicle expense	9,680	1,225	377	11,282	922
Building and equipment expense	136,773	14,960	10,976	162,709	113,166
Printing and promotion	16,957	54	909	17,920	130,405
Meetings, conferences and travel	26,899	788	716	28,403	17,006
Software expense	5,260	-	-	5,260	5,609
Staff development	62,671	464	413	63,548	103,428
Dues and subscriptions	112,839	6,086	8,937	127,862	113,007
Bank and credit fees	11,399	1,449	6,230	19,078	19,369
Internet services	35,555	3,349	1,030	39,934	36,446
Scholarships	8,960	-	-	8,960	18,028
Special events	1,223	5	144,050	145,278	79,465
Direct assistance	92,706	109	41,042	133,857	248,203
Interest	6,356	809	248	7,413	2,326
Depreciation and amortization	138,738	17,635	5,421	161,794	143,755
Miscellaneous	23,520	2,930	900	27,350	892
Total expenses	\$ 8,809,990	\$ 1,041,018	\$ 587,355	\$ 10,438,363	\$ 11,749,630

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

ERIE NEIGHBORHOOD HOUSE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (757,514)	\$ 2,246,203
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	161,794	143,755
PPP loan forgiveness	-	(1,253,800)
Unrealized and realized loss (gain) on investments	496,989	(707,432)
Donated securities	(5,352)	(17,038)
(Increase) decrease in operating assets		
Accounts and pledges receivable	(507,559)	159,147
Due from governmental agencies	(155,411)	(168,272)
Prepaid expenses	(16,401)	13,105
Increase (decrease) in operating liabilities		
Accounts payable	71,461	(422,345)
Accrued expenses	30,390	65,915
Deferred revenue	11,024	(44,711)
	(670,579)	14,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of property and equipment	(179,420)	(585,507)
Purchases of investments	(75,477)	(41,377)
Proceeds from sales of investments	80,530	92,239
	(174,367)	(534,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	5,041,000	2,347,000
Payments on line of credit	(4,335,500)	(2,347,000)
	705,500	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(139,446)	(520,118)
Cash and cash equivalents:		
Beginning of year	917,359	1,437,477
End of year	\$ 777,913	\$ 917,359
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Interest paid	\$ 7,413	\$ 2,327
Income taxes paid	\$ -	\$ -

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

ERIE NEIGHBORHOOD HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Since 1870, Erie Neighborhood House (the “Organization”) has been an agent of hope and change to immigrant low-income communities in Chicago, enabling children to develop to their fullest potential and families to overcome the challenges of poverty and build a brighter future. Through education, legal services, mental health, and wellness programs and more, Erie House empowers those served to build powerful communities and constantly evolve to meet the community’s needs.

With six sites spread across West and Southwest Chicago, including West Town, Near West Side, Little Village, Humboldt Park and Berwyn/Cicero, Erie House provides services to over 14,000 people annually strengthening community, building leadership, and encouraging civic engagement.

The organization receives funding through government grants, contributions from individuals, corporations and foundations, and special events.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when the related liabilities for goods and services are incurred, regardless of the timing of cash flows. The accounts of the Organization are maintained in accordance with the principles of fund accounting, whereby resources are classified for accounting and reporting purposes into net assets established according to their nature and purposes. The Organization is required to present its net assets in the following two categories:

Net assets without donor restrictions represents the portion of expendable funds that are available for the daily operations of the Organization, which are not limited by donor restriction as to use but can be designated by the Board of Directors for investment, capital assets, or other activities.

Net assets with donor restrictions consist of donor-restricted contributions for specified projects as well as contributions received with time restrictions. Upon satisfaction of time or purpose restrictions, these donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Donor restricted contributions for which the restriction is satisfied in the same year as the contribution is received are accounted for as unrestricted support.

Adopted Accounting Pronouncements - During the year ended June 30, 2022, the Organization adopted Financial Accounting Standards Board’s Accounting Standard Update ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (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 nonfinancial assets. Based on the above, contributed nonfinancial assets have been presented separately on the statement of activities for both fiscal years ended 2022 and 2021 and related disclosures have been updated. The guidance did not materially impact the Organization’s results of operations.

ERIE NEIGHBORHOOD HOUSE
NOTES TO FINANCIAL STATEMENTS
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Cash Flows - The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash paid for interest was \$7,413 for the year ended June 30, 2022.

Cash Balances in Excess of Insured Amounts - The Organization maintains its cash in accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses due to these limits.

Receivables – Due from governmental agencies are uncollateralized obligations from government agencies, which are generally paid within 30 days from the billing date. Receivables are stated at the invoice amount. The carrying amount of contracts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected.

Accounts and pledges receivable are recorded when pledged or amounts become unconditional. The Organization estimates any allowance for uncollectible accounts based on an analysis of specific account history and experience.

Revenue Recognition– The Organization has the following types of revenue and support:

Contributions, including United Way of Chicago - The Organization receives support and revenue from various funding sources in order to support their programs. Grants may be recognized as revenue either when received or based on a cost-reimbursement methodology as stated in the grant agreement, depending on whether it is determined to be conditional or unconditional. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions/barriers on which they depend are substantially met.

Unconditional promises to give are recognized as revenues in the period received. All contributions are available for unrestricted use unless explicit donor stipulations specify how or when the contributions may be used. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, using risk adjusted interest rates applicable to those years in which the promises are to be received. Contributions of assets other than cash are recorded at their estimated fair value.

Donated Goods and Services - Donated marketable securities, equipment and other assets converted to cash are recorded as contributions at fair value at the date of donation. Any assets received and not converted to cash are recorded as contributions at their estimated fair values at the date of donation.

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization was the recipient of the following contributed goods and services during the year ended June 30, 2022:

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NOTES TO FINANCIAL STATEMENTS
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Type of Contributed Nonfinancial Asset or Service	Value	Utilization in Programs/Activities	Donor- Imposed Restrictions
Professional services (legal)	\$ 8,379	Management and general	None
Executive coaching services	15,000	Management and general	None
Professional services (childcare programs)	111,562	Program	None
Gift cards and supplies	2,933	Fundraising	None
	<u>\$ 137,874</u>		

Valuation techniques and inputs for each type of nonfinancial asset or service are as follows:

Type of Nonfinancial Asset or Service	Inputs and Valuation Techniques Used to Estimate Fair Value
Professional Services (legal, executive coaching, childcare programs)	Based on current rates for similar services.
Gift cards and supplies	Based on estimates of wholesale values that would be received for selling similar products in the U.S.

Grants from Governmental Agencies - The Organization has cost-reimbursable grants and contracts with state and local government agencies and other organizations. Revenue from these grants and contracts is conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue from these government grants and contracts is recognized when the Organization has incurred expenditures in compliance with the specific contract or grant provisions plus allowable indirect expenses which are based on the 10% de minimus rate with the federal government. Amounts related to these conditional grants that are recognized and released in the same year are included as grants and contributions without donor restrictions in the accompanying statement of activities. Revenue recognized on these grants and contracts for which billings have not been presented to or collected from the grantors is included in grants and contributions receivable in the accompanying statements of financial position.

Subsidized Childcare Fees – As a qualified childcare provider in the State of Illinois, the Organization accepts children that qualify for free or reduced childcare, as determined by the State of Illinois Department of Human Services. Childcare subsidies are considered revenue from contracts with customers and is recognized as an exchange transaction. The Organization bills the State of Illinois, Illinois Action for Children, or the City of Chicago Department of Family Services monthly for children in the subsidy program based on the days attended, plus any additional quality rating amounts, on a fee for service basis and no funds are received in advance. Revenue is recognized over the month or other agreed upon contract term as the customers are simultaneously receiving and consuming the benefits of the service.

Program fees – Program service fees are considered revenue from contracts with customers and are recognized as exchange transactions. Program service fees represent parent co-pays for extended day care or for private pay children to provide childcare or education services during

ERIE NEIGHBORHOOD HOUSE
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the agreed upon contract period as well as other class fees or fees for service for other adult programming. Revenue is recognized over the month or other agreed upon contract term as the customers are simultaneously receiving and consuming the benefits of the service. Any private pay or co-pay fees received in advance of the contract period are included as deferred revenues.

Special Events – Special event revenue for tickets is recorded as deferred revenue when received and recognized as earned when the underlying event occurs. Contributions or other donations received as part of the special event is recognized as a contribution when pledged or given.

Investments - Investments are reported at fair value determined at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is based on quoted prices in active markets and changes in fair value are recorded as unrealized gains or losses. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Property and Equipment - Property and equipment are recorded at cost or fair value if contributed. It is the Organization’s policy to capitalize expenditures for long-lived assets if they are over \$5,000. Repairs and maintenance are charged to expense, and renewals and betterments that extend the useful lives of assets are capitalized.

Depreciation is provided using the straight-line method over the following estimated useful lives:

	Years
Building	25
Building and leasehold improvements	5-30
Furniture and equipment	5-10
Software	5
Vehicles	7

Impairment of Long-lived Assets - The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. There were no impairment indicators at June 30, 2022.

Accrued Vacation – The Organization accrues unused vacation pay for employees. Vacation is calculated on a fiscal year basis and encouraged to be taken June 30th of each year. However, if an employee is unable to use all of their accrued vacation hours in a fiscal year, the employee may rollover a maximum of three (3) vacation days into the next fiscal year; these will be the first days used in the new fiscal year.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal

ERIE NEIGHBORHOOD HOUSE
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Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, the Organization has made no provision for income taxes in the accompanying financial statements.

The Organization accounts for any potential interest or penalties related to the possible future liabilities for unrecognized income tax benefits as interest expense or income tax expense, respectively, in the financial statements. There were no income tax related interest or penalties during the year ended June 30, 2022. In addition, the Organization has taken no uncertain tax positions as of June 30, 2022. The Organization’s income taxes are subject to examination by federal and state taxing authorities. There are currently no examinations for any tax periods pending or in progress.

Functional Expenses - The statement of functional expenses presents the expenses by function and natural classification. Expenses directly attributable to specific functional areas are reported as expenses of those functional areas. Certain categories of expenses are attributed to one or more program or supporting function of the Organization, which were allocated based on salaries attributable to the programs as determined by time and effort studies. Expenses allocated to programs include salaries and benefits of the executive officers, finance, accounting and administrative personnel, depreciation, office rent and maintenance, and repairs.

Prior Year Summarized Comparative Financial Information - The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Reclassification – Certain amounts from the prior year financial statements have been reclassified to conform to current year presentation.

Subsequent Events – The Organization evaluated all significant events or transactions through December 5, 2022, the date that the financial statements were available to be issued.

2. INVESTMENTS

Investments at June 30, 2022 are summarized as follows:

	Cost	Market Value	Accumulated Unrealized Gain
Mutual funds	\$ 1,229,922	\$ 2,447,039	\$ 1,217,117
Exchange traded funds	621,399	581,834	(39,565)
Money market	126,439	126,439	-
	<u>\$ 1,977,760</u>	<u>\$ 3,155,312</u>	<u>\$ 1,177,552</u>

Investment return consisted of the following for the year ended June 30, 2022:

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Interest and dividends	\$ 91,839
Net realized and unrealized losses	(496,989)
Investment fees	(16,362)
	<u>\$ (421,512)</u>

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.

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. There have been no changes in methodologies for the year ended June 30, 2022.

Investments in mutual funds are accounted for at fair value on a recurring basis and are accounted for as level 1 inputs.

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The Organization's money market funds are classified within Level 1 and valued based on quoted market prices and are deemed to be actively traded. There have been no transfers between the levels during the year ended June 30, 2022.

Fair value of investments recorded on a recurring basis at June 30, 2022 were as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	\$ 1,074,294	\$ -	\$ -	\$ 1,074,294
Equity securities	1,372,745	-	-	1,372,745
Money market	126,439	-	-	126,439
Exchange traded funds				
Equity securities	581,834	-	-	581,834
Total investments held	<u>\$ 3,155,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,155,312</u>

4. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable reflect amounts receivable from non-governmental sources. Pledges are recorded as promises to give in the period in which the promise is received. The Organization has recorded an allowance for uncollectible receivables of \$47,821 related to pledges receivable as of June 30, 2022. Pledges receivable expected to be collected within one year are \$265,000 as of June 30, 2022. Pledges receivable expected to be collected within one to five years are \$265,000 as of June 30, 2022.

5. DUE FROM GOVERNMENTAL AGENCIES

The Organization has entered into contracts with the City of Chicago through the Department of Family and Support Services as well as other state and local government agencies. The contracts provide for reimbursement of subsidized childcare services based on a per diem rate limited to a specified maximum.

Management assesses the allowance for doubtful amounts due from governmental agencies based on historical results and specific information from the agencies. As of June 30, 2022, no allowance is deemed necessary. Vouchers submitted for covered expenses, services and advances and other government grants receivable are as follows at June 30, 2022:

ERIE NEIGHBORHOOD HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

City of Chicago Department of Health	\$	70,156
City of Chicago Department of Planning and Development		1,486
Chinese Mutual Aid Association		70,550
Cook County		21,724
Carole Robertson Center for Learning		39,472
Department of Children and Family Services		5,998
Department of Family Support Services		446,019
Illinois Coalition for Immigrant and Refugee Rights		3,750
Illinois Criminal Justice Information Authority		378,411
Illinois Department of Commerce and Economic Opportunity		28,303
Illinois Department of Human Services		267,098
Illinois Board of Education		15,736
The Resurrection Project		336,528
West Side United		<u>1,576</u>
Total due from governmental agencies	\$	<u>1,686,807</u>
Less: allowance for doubtful accounts		<u>-</u>
Total due from government agencies, net	\$	<u><u>1,686,807</u></u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2022:

Land	\$	3,420,860
Property held for development		267,221
Building		615,090
Building and leasehold improvements		2,240,031
Furniture and equipment		160,168
Software		143,611
Vehicles		<u>46,244</u>
Total property and equipment		6,893,225
Less: accumulated depreciation		<u>(1,415,705)</u>
	\$	<u><u>5,477,520</u></u>

Depreciation and amortization expense for the year ended June 30, 2022 was \$161,794.

7. PROPERTY HELD FOR DEVELOPMENT

Under the terms of a joint-venture termination agreement with another non-profit entity, the Organization received two adjacent properties located in the Little Village neighborhood of Chicago during 2010. The Organization recorded this transfer of property at the approximate fair value at the time of the transfer. The properties, which are valued at approximately \$267,000, are recorded under property and equipment as property held for development.

ERIE NEIGHBORHOOD HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

8. LIQUIDITY AND AVAILABLE RESOURCES

The following table reflects certain of The Organization’s financial assets as of June 30, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or are classified as assets held in perpetual trust.

	2022
Cash and cash equivalents	\$ 777,913
Investments	3,155,312
Receivables	2,253,950
Total financial assets available within one year	6,187,175
Less: Amounts unavailable for general expenditure within on year, due to donor restricted investment	500,000
Total financial assets available to management for general expenditure within one year	\$ 5,687,175

The Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Organization has \$1,794,500 available on its line of credit as of the date of these financial statements.

9. LINE OF CREDIT

On November 16, 2018, the Organization entered into a line of credit agreement with a bank with maximum limit of \$2,000,000, increased to \$2,500,000 with the renewal during March 2022. From July 1, 2021 through March 1, 2022, the line carried an interest rate of the sum of the overnight London Inter-Bank Offered Rate (LIBOR) plus 1.75%. Beginning on March 2, 2022, the line carries an interest rate of the sum of the Daily Bloomberg Short-Term Bank Yield Index Rate (BSBY) plus 1.75%. Collateral on this line of credit is substantially all assets of the Organization, including cash, receivables, properties, and investments. The balance on the line was \$705,500 as of June 30, 2022.

10. PAYCHECK PROTECTION PROGRAM

On April 16, 2020, the Organization entered into a loan agreement with a commercial bank for \$1,253,800, pursuant to the Paycheck Protection Program (the “PPP”) of the CARES Act, which was enacted March 27, 2020. The application for these funds required the Organization in good faith to certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization.

Under the terms of the SBA Loan, the Organization was eligible for loan forgiveness. On August 31, 2021, the Organization was forgiven the full \$1,253,800 for expenses that occurred during the fiscal year ending June 30, 2021.

ERIE NEIGHBORHOOD HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

11. RESTRICTIONS ON NET ASSETS

The net assets with donor restrictions consist of donor-restricted contributions for specified projects as well as contributions received with time restrictions. The net assets with donor restrictions consist of the following at June 30, 2022:

Time Restricted Foundation and Non-profit Grants:	
Chicago Community Trust	\$ 130,000
Healthy Communities Foundation	400,000
Purpose Restricted Foundation and Non-profit Grants:	
Lloyd Fry Foundation program	10,000
Robert R. McCormick Foundation	126,900
Investments with donor restrictions	<u>500,000</u>
	<u>\$ 1,166,900</u>

Foundation and non-profit grants were received during the year ended June 30, 2022 to be expended in subsequent periods. Investments in the amount of \$500,000 are restricted as of June 30, 2022. The earnings on the assets of this fund may be used to fund operations.

Net assets for program services of \$648,953 were released from restrictions during the year ended June 30, 2022.

12. DISAGGREGATION OF REVENUE

Revenue from contracts with customers disaggregated by category for the year ended June 30, 2022 is as follows:

Revenue recognized over time:	
Subsidized childcare fees	\$ 1,341,089
Parent fees	127,088
Total revenue from exchange transactions	<u>\$ 1,468,177</u>

13. CONCENTRATIONS

The Organization received 22% and 27% of its revenue and other support from the U.S. Department of Health and Human Services, which was passed through Carol Robertson Center for Learning, the Illinois Department of Human Services, or the City of Chicago Department of Family and Support Services.

14. CONDITIONAL GRANTS

Conditional grants are grants that include a specific condition in order to earn the revenue. Conditional grants are not recorded in revenue until the condition of the grant is met (generally, when the service is provided). The Organization has conditional grants from the following state and local government agencies to provide early education, childcare, employment training, legal

ERIE NEIGHBORHOOD HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

protection, and advocacy. These grants are available to be used during fiscal year 2023 on qualifying expenses.

Conditional grants	
Carole Robertson Center for Learning	\$ 294,126
Rush	37,685
West Side Health Equity Collaborative	74,539
Cook County Health & Hospitals	62,025
Illinois Housing Development Authority	140,584
After School Matters	15,360
Chicago Dept. of Housing	10,588
Cook County - Justice Advisory Council	89,865
Department of Public Health	169,845
Department of Family & Support Services	511,100
Resurrection Project	57,405
Illinois Criminal Justice Information Authority	615,042
	<u>\$ 2,078,164</u>

15. RETIREMENT PLAN

The Organization has a 403(b) retirement plan which covers eligible employees. Employees are eligible to make elective deferrals up to Internal Revenue Service limits, immediately upon being hired. Employees that work more than 1,000 hours per year become eligible for matching contributions up to 2.5%, one year after their hire date. Employees with 10 years or more of service are matched at 3%. Employees with 20 years or more of service are matched at 4%.

Retirement plan expense for the year ended June 30, 2022, was \$115,132.

16. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2022, the Organization received donations of \$68,440 from members of management and the board of directors.

17. LEASES

The Organization leases certain property for its immigrant resource center in the Little Village neighborhood. The lease is on a month-to-month basis.

In August 2021, the Organization entered into a lease for office space for its Immigration and Legal Services program. The lease commenced August 2021 and expires July 31, 2026, with an option to renew for an additional five years. The Organization entered into a lease for office space for its childcare program which commenced April 2021 and expires March 31, 2026, with an option to renew for an additional five years. Payments under the childcare space lease did not commence until fiscal 2023.

Rent expense for the year ended June 30, 2022 was \$90,781. Future minimum payments for leases are as follow:

ERIE NEIGHBORHOOD HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

For the year ending June 30,	Amount
2023	\$ 204,000
2024	204,000
2025	157,000
2026	159,000
Total	\$ 724,000

18. 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. Management believes that any disallowance would not be material to the financial statements.

19. WALLACE FOUNDATION

The Organization received funds from the Wallace Foundation during July 2011 that are to be held in perpetuity. However, these funds are available for current use. These unrestricted funds are to be used to support the general mission of the Organization and those activities necessary to ensure the quality of programs or the stability of the Organization. These funds can be used as an internal line of credit but must be restored back to \$125,000 as of the close of the following fiscal year. Funds may require repayment to the Wallace Foundation if the Organization fails to comply with the terms of the agreement, significant organization leadership changes occur, or upon the dissolution of the Organization. The balance in this account was \$125,000 at June 30, 2022.

20. UNION

In May of 2018, the employees of the Organization voted in favor for the formation of a union and an agreement was signed December 31, 2019. The contract runs through January 31, 2023. The Organization's staff (representing approximately 90% of the Organization's employees), except for confidential employees, managerial employees, guards, and supervisors, are members of the American Federation of State, County and Municipal Employees, Council 31, AFSCME.

21. FUTURE ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current lease recording requirements in Topic 842. The ASU looks to increase transparency and comparability by conforming US GAAP with International Accounting Standards as it relates to leases. The new standard will require that all leases, including operating leases, be included on the balance sheet as a "right of use" asset with an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the Organization's year ending June 30, 2023, with early application permitted.

The Organization is currently evaluating the impact of the adoption of the above standards on its financial statements.

SUPPLEMENTARY INFORMATION

ERIE NEIGHBORHOOD HOUSE
SCHEDULE OF PROGRAM EXPENSES AND REVENUES
YEAR ENDED JUNE 30, 2022

	Adult Program	Early Childhood Education	Legal Services	Health and Leadership	School Age	Workforce Development	Youth	Projecto Cuidate	Program Totals
Expenses									
Salaries	\$ 281,915	\$ 2,135,814	\$ 515,159	\$ 316,625	\$ 616,713	\$ 80,507	\$ 261,198	\$ 963,242	\$ 5,171,173
Payroll taxes	20,888	156,669	38,243	23,581	46,032	5,774	19,097	70,789	381,073
Insurance benefits	31,620	244,716	59,596	36,965	70,658	9,645	30,296	111,774	595,270
Retirement benefits	5,188	40,648	9,632	5,978	11,248	1,519	4,906	18,028	97,147
Professional fees	10,261	83,601	19,859	61,246	22,621	3,155	9,832	76,076	286,651
Donated goods and services	1,079	65,924	2,022	1,244	47,760	332	9,688	3,926	131,975
Contractual services	798	144,977	1,495	920	1,741	245	764	182,699	333,639
Program and office supplies	12,586	72,160	20,343	95,770	33,158	677	21,216	30,738	286,648
Duplicating expense	1,026	37,545	781	567	8,661	227	1,628	10,859	61,294
Cultural events	2,194	3,517	868	534	15,418	142	4,771	14,797	42,241
Parent involvement	-	15,314	-	-	-	-	-	-	15,314
Food	144	115,703	6	1,273	33,553	1	9,609	8,507	168,796
Telephone	3,742	21,379	6,118	4,084	6,714	900	2,105	12,614	57,656
Postage and shipping	73	542	4,156	86	154	31	69	248	5,359
Insurance - general	2,580	19,590	6,723	2,976	5,633	793	2,473	9,083	49,851
Occupancy	22,040	167,516	63,321	29,910	48,108	6,776	21,120	77,576	436,367
Vehicle expense	518	3,981	972	598	1,131	159	497	1,824	9,680
Building and equipment expense	6,332	67,148	11,871	7,302	13,820	1,947	6,067	22,286	136,773
Printing and promotion	23	175	43	10,742	50	7	22	5,895	16,957
Meetings, conference and travel	638	4,938	4,771	1,432	4,647	158	1,882	8,433	26,899
Software	-	-	-	-	-	-	5,260	-	5,260
Staff development	1,196	36,413	3,963	557	2,471	435	3,569	14,067	62,671
Dues and subscriptions	13,568	30,493	28,030	5,810	7,905	1,305	3,017	22,711	112,839
Bank, credit and investment fees	613	4,655	1,150	707	1,339	189	588	2,158	11,399
Internet services	7,623	10,926	2,657	3,952	3,200	436	1,358	5,403	35,555
Scholarships	-	900	-	-	-	-	8,060	-	8,960
Special events	2	17	4	3	1,186	1	2	8	1,223
Direct assistance	46	696	87,061	53	101	1,149	64	3,536	92,706
Interest expense	342	2,596	641	394	746	105	328	1,204	6,356
Miscellaneous	1,240	9,414	2,355	1,430	2,707	443	1,443	4,488	23,520
Depreciation	7,464	56,663	13,993	8,608	16,292	2,295	7,152	26,271	138,738
Total Expenses	\$ 435,739	\$ 3,554,630	\$ 905,833	\$ 623,347	\$ 1,023,767	\$ 119,353	\$ 438,081	\$ 1,709,240	\$ 8,809,990
Revenues and Other Support									
Contributions	\$ 210,000	\$ 500	\$ 417,413	\$ 321,091	\$ 7,100	\$ 70,710	\$ 83,380	\$ 168,910	\$ 1,279,104
Donated goods and services	-	57,736	-	-	45,406	-	8,655	130	111,927
Special events	-	-	-	-	1,053	-	7,070	-	8,123
Fees and grants from governmental agencies	364,697	2,733,625	391,965	290,128	42,360	34,869	275,473	1,325,938	5,459,055
Subsidized childcare fees	-	620,799	-	-	720,290	-	-	-	1,341,089
Other income and program fees	-	43,532	31,498	-	51,017	-	-	-	126,047
Miscellaneous income	-	-	59	-	-	-	-	-	59
Total Revenues and Other Support	\$ 574,697	\$ 3,456,192	\$ 840,935	\$ 611,219	\$ 867,226	\$ 105,579	\$ 374,578	\$ 1,494,978	\$ 8,325,404

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

ERIE NEIGHBORHOOD HOUSE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>		<u>Federal Assistance Listing Number</u>	<u>Pass Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services				
Passed through City of Chicago				
Department of Family and Support Services				
Early Head Start	*	93.600	139125 & 147461	\$ 31,623
Early Head Start	*	93.600	139125 & 146472	343,009
Head Start	*	93.600	139125 & 147476	140,423
Passed through Carole Robertson Center for Learning				
Early Head Start	*	93.600		300,375
Head Start	*	93.600		169,364
Subtotal - Head Start				984,794
Passed through Illinois Department of Human Services				
Temporary Assistance for Needy Families		93.558	FCSZR04815	153,078
Passed through Illinois Department of Human Services				
MaryLee Allen Promoting Safe and Stable Families		93.556	4955289012	178,500
Passed through Rush University Medical Center				
Activities to Support State, Tribal, and Territorial Health Department				
Response to Public Health or Healthcare Crises		93.391		1,015
Total U.S. Department of Health and Human Services				1,317,387
U.S. Department of Education				
Passed through Chinese Mutual Aid Association				
Adult Education - Basic Grants to State		84.002	N/A	182,660
Total U.S. Department of Education				182,660
U.S. Department of House and Urban Development				
Passed through City of Chicago				
Department of Public Health				
Community Development Block Grants/ Entitlement Grants		14.218	89806/85784	19,167
Passed through City of Chicago				
Department of Family and Support Services				
Community Development Block Grants/ Entitlement Grants		14.218	85784	34,869
Passed through City of Chicago				
Department of Planning and Development				
Community Development Block Grants/ Entitlement Grants		14.218	94146	13,683
Total U.S. Department of Health and Human Services				67,719

See Notes to Schedule of Federal Awards

ERIE NEIGHBORHOOD HOUSE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

U.S. Department of the Treasury

Passed through Illinois Department of Human Services Coronavirus State and Local Fiscal Recovery Funds	21.027	FCSAR04815	17,563
Passed through Illinois Housing Development Authority Emergency Rental Assistance Program	21.023	51890	67,499
American Rescue Plan Act - Homeowner Assistance Fund	21.026		<u>8,834</u>
Total U.S. Department of the Treasury			<u>93,896</u>

U.S. Department of Agriculture

Passed through Illinois State Board of Education Child and Adult Care Food Program	10.558	64-108-8100-51	<u>163,344</u>
Total U.S. Department of Agriculture			163,344

U.S. Department of Justice

Passed through Illinois Criminal Justice Information Authority Crime Victim Assistance	16.575	217303	611,853
Crime Victim Assistance	16.575	217382	<u>158,415</u>
Total Illinois Criminal Justice Information Authority			<u>770,268</u>

Total Expenditures of Federal Awards	<u><u>\$ 2,595,274</u></u>
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* Audited as a major program

See Notes to Schedule of Federal Awards

ERIE NEIGHBORHOOD HOUSE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Erie Neighborhood House under programs of the federal government for the year ended June 30, 2022. 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* (Uniform Guidance). 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 Erie Neighborhood House, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Erie Neighborhood House Pass-through entity identifying numbers are presented where available.

The Organization has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Payments to Subrecipients

Erie Neighborhood House provided no Federal awards to sub-recipients during the year ended June 30, 2022.

Non - Cash Assistance

Erie Neighborhood House neither received nor disbursed Federal awards in the form of non-monetary assistance during the year ended June 30, 2022.

Insurance, Loans, and Loan Guarantees

During the year ended June 30, 2022, Erie Neighborhood House received no insurance, loans, loan guarantees or other Federal assistance for the purpose of administering Federal programs.

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
Erie Neighborhood House
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Erie Neighborhood House (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, 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 December 5, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Erie Neighborhood House's internal control over financial reporting (internal control) as a basis for designing 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 Erie Neighborhood 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 Erie Neighborhood 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 financial statements. However, providing an opinion on compliance

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sassetti LLC

December 5, 2022
Oak Brook, Illinois

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Erie Neighborhood House
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Erie Neighborhood 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 Erie Neighborhood House's major federal programs for the year ended June 30, 2022. Erie Neighborhood 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 Erie Neighborhood 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 Erie Neighborhood 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 Erie Neighborhood House's compliance.

Opinion on Each Major Federal Program

In our opinion, Erie Neighborhood 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, 2022.

Report on Internal Control Over Compliance

Management of Erie Neighborhood 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 Erie Neighborhood 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 Erie Neighborhood 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 a 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

December 5, 2022
Oak Brook, Illinois

ERIE NEIGHBORHOOD HOUSE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2022

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? Yes X No

Significant deficiency (ies) identified? 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

Auditee qualified as low-risk auditee? X Yes No

Type of auditor's report on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness (es) identified? Yes X No

Significant deficiency (ies) identified? 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
93.600	Head Start

ERIE NEIGHBORHOOD HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

PART II - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

PART III - FEDERAL PROGRAM AUDIT FINDINGS

NONE

PART IV - SUMMARY OF PRIOR AUDIT FINDINGS

NONE