PRIMO CENTER FOR WOMEN AND CHILDREN

FINANCIAL STATEMENTS
AS OF JUNE 30, 2023 AND 2022

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Primo Center for Women and Children:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Primo Center for Women and Children, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses 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 Primo Center for Women and Children as of June 30, 2023 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 audits 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 Primo Center for Women and Children 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 opinion.

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 Primo Center for Women and Children'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 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 Primo Center for Women and Children'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 Primo Center for Women and Children'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.

Report on Summarized Comparative Information

We have previously audited Primo Center for Women and Children's 2022 financial statements, and our report dated March 30, 2023, and expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of, and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 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 a report dated May 10, 2024, on our consideration of Primo Center for Women and Children's internal control over financial reporting and 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Primo Center for Women and Children's internal control over financial reporting and compliance.

Dugan + Lopatka
DUGAN & LOPATKA

Warrenville, Illinois
May 10, 2024

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
A S S E T S		
ASSETS:		
Cash	$ 226,007	$ 191,060
Unconditional promise to give	830,000	1,125,000
Grants and accounts receivable, net allowance for doubtful accounts	909,615	1,104,526
Prepaid expenses	15,799	53,547
Property and equipment, net	1,416,614	1,550,332
Security deposits - rental	30,000	30,000
Operating lease right of use assets	5,374,856	-
Total assets	$ 8,802,891	$ 4,054,465
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 559,985	$ 284,319
Accrued expenses	406,638	369,088
Line of credit	515,000	750,000
Loans payable	997,510	1,141,656
Operating lease liability	5,704,273	-
Security deposits	3,792	3,792
Total liabilities	8,187,198	2,548,855
NET ASSETS:		
Without donor restrictions	(287,376)	200,610
With donor restrictions	903,069	1,305,000
Total net assets	615,693	1,505,610
Total liabilities and net assets	$ 8,802,891	$ 4,054,465

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30 2023
(with comparative totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
SUPPORT AND REVENUE:				
Support -				
Foundations, corporations, and religious community	$ 398,447	$ 160,000	$ 558,447	$ 643,050
Government grants	4,310,498	-	4,310,498	4,606,942
Special events	37,023	-	37,023	-
Individuals	59,472	-	59,472	77,812
Total support	4,805,440	160,000	4,965,440	5,327,804
Revenue -				
Medicaid	1,344,580	-	1,344,580	973,379
Rental income - permanent housing	53,876	-	53,876	46,387
Debt forgiveness	144,147	-	144,147	144,147
Interest	87	-	87	234
Miscellaneous	41,482	-	41,482	4,974
Total revenue	1,584,172	-	1,584,172	1,169,121
Net assets released from restrictions -				
Satisfaction of purpose restrictions	561,931	(561,931)	-	-
Total revenue and support	6,951,543	(401,931)	6,549,612	6,496,925
FUNCTIONAL EXPENSES:				
Program	5,910,331	-	5,910,331	6,100,035
Management and general	1,343,581	-	1,343,581	1,514,168
Fundraising	185,617	-	185,617	276,906
Total functional expenses	7,439,529	-	7,439,529	7,891,109
CHANGE IN NET ASSETS	(487,986)	(401,931)	(889,917)	(1,394,184)
NET ASSETS, Beginning of year	200,610	1,305,000	1,505,610	2,899,794
NET ASSETS, End of year	$ (287,376)	$ 903,069	$ 615,693	$ 1,505,610

The accompanying notes are an integral part of this statement.

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (889,917)	$ (1,394,184)
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	179,869	182,180
Non-cash portion of lease expense for operating leases	888,712	-
Non-cash forgiveness of debt	(144,147)	(144,147)
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	194,911	(24,305)
Decrease in unconditional promises to give	295,000	347,500
(Increase) decrease in prepaid expenses	37,748	(42,012)
Decrease in security deposits - rental	-	13,821
Increase in accounts payable and accrued expenses	313,216	134,015
(Decrease) in security deposits payable	-	(2,708)
(Decrease) in operating lease liabilities	(559,295)	-
Total adjustments	1,206,014	464,344
Net cash provided by (used in) operating activities	316,097	(929,840)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(46,150)	(14,525)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Draws against line of credit	-	355,000
Payments on line of credit	(235,000)	(175,000)
Net cash provided by (used in) financing activities	(235,000)	180,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	34,947	(764,365)
CASH AND CASH EQUIVALENTS, Beginning of year	191,060	955,425
CASH AND CASH EQUIVALENTS, End of year	$ 226,007	$ 191,060
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 63,112	$ 33,729
Right of use assets acquired through operating lease liability	$ 5,890,066	$ -

The accompanying notes are an integral part of this statement.

EXHIBIT 4

PRIMO CENTER FOR WOMEN AND CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(with comparative totals for 2022)

	Program Services					Supporting Services			
	Interim Housing	Early Childhood	Kids Connect	Permanent Housing	Total Program Services	Management and General	Fundraising	2023 Total	2022 Total
Salaries and wages	$ 1,712,069	$ 279,382	$ 274,915	$ 1,043,522	$ 3,309,888	$ 681,771	$ 45,959	$ 4,037,618	$ 4,280,960
Payroll taxes and benefits	310,174	58,220	53,348	187,538	609,280	119,844	11,681	740,805	742,723
Consultants	35,675	100,465	9,588	150	145,878	55,724	112,021	313,623	564,762
Accounting/audit and payroll fees	-	-	-	-	-	117,795	-	117,795	89,040
Rent and utilities	1,066,202	-	-	47,208	1,113,410	1,619	-	1,115,029	755,450
Insurance	-	-	-	-	-	64,970	-	64,970	46,463
Building maintenance and repair	137,384	-	-	-	137,384	2,776	-	140,160	259,251
Real estate taxes	-	-	-	18,197	18,197	-	-	18,197	23,796
Office supplies and printing	180,472	2,252	-	2,972	185,696	32,780	586	219,062	301,804
Program supplies	30,722	18,995	1,508	21,452	72,677	6,193	-	78,870	127,469
Client activities	2,137	653	922	2,510	6,222	50	-	6,272	4,170
Food	3,646	850	2,380	53	6,929	16,664	760	24,353	45,192
Travel	5,847	811	3,203	15,473	25,334	23,306	660	49,300	70,139
Furniture and equipment rental and purchase	3,750	-	-	2,341	6,091	1,095	-	7,186	7,607
Communications	26,616	-	-	3,169	29,785	19,615	-	49,400	63,108
Conference and meetings	9,211	951	-	-	10,162	9,038	-	19,200	16,643
Dues, subscriptions and publications	180	2,945	15	499	3,639	14,362	39	18,040	14,675
Depreciation and amortization	-	-	-	179,869	179,869	-	-	179,869	182,180
Bank and credit card fees	-	-	-	-	-	23,266	-	23,266	14,217
Interest	-	-	-	2,143	2,143	60,969	-	63,112	33,729
Development expense	5,000	-	-	-	5,000	32,988	1,365	39,353	84,160
Bad debt	-	-	-	-	-	53,501	-	53,501	92,302
Subgrants	-	-	35,000	-	35,000	-	-	35,000	43,233
Special events	1,363	283	-	-	1,646	2,144	12,546	16,336	4,038
Miscellaneous expense	5,929	-	81	91	6,101	3,111	-	9,212	23,998
Total expenses by function	$ 3,536,377	$ 465,807	$ 380,960	$ 1,527,187	$ 5,910,331	$ 1,343,581	$ 185,617	$ 7,439,529	$ 7,891,109

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Primo Center for Women and Children (PCWC, f/k/a Urban Family and Community Centers) was established on July 1, 1999, pursuant to the merger of the Urban Center at Saint Barnabas (UC) and Christian Community Services (CCS).

CCS was established in 1978 and UC was established in 1979. UC provided food distribution and job development programs to the homeless and destitute in the area. In 1996, the Organization's programs expanded to include a first-stage transitional living shelter for homeless women and children. The shelter was named the Primo Women's Center. CCS provided licensed day care and an after-school program to children residing in the Austin community. Currently, PCWC operates two core programs: a 111-bed interim housing facility for homeless women and children in the Austin community, and a 12-unit permanent supportive housing facility in the Hermosa Community of Chicago. Trauma-informed, wraparound services are provided throughout both programs.

PCWC, located at five facilities in the west and south side of Chicago, provides interim housing and permanent housing for up to 800 children and families. PCWC employs a cadre of clinical staff who, with paraprofessional staff, deliver services in both facilities committed to the highest level of care. The goal of PCWC is to provide comprehensive wraparound services and support in a safe and healthy therapeutic environment. Following an evidenced-based practice model, it is also the goal of PCWC to empower women to take charge of their lives by providing assistance with obtaining goals and objectives and working on abuse issues in the family. PCWC's program is designed to assist clients in starting the process of making a successful homeless, to supportive services, to work transition. PCWC provides comprehensive services onsite, as well as through collaborative community linkages with other service providers in the community, to address the residual effects of homelessness and its impact on the family, such as: substance abuse, mental illness, damaged parent/child relationships, self-esteem issues, and possibly regaining legal custody of children involved in the child welfare system.

These collaborative linkages include referrals for employment, medical care, nutrition education, substance abuse treatment, domestic violence issues, legal and social service advocacy, clothing assistance, financial literacy education, transportation assistance, employment assistance, permanent housing search assistance, structured children's activities, and case management services.

The financial statements were available to be issued on May 10, 2024, with subsequent events being evaluated through this date.

The following is a summary of the significant accounting policies applied by management in the preparation of the accompanying financial statements.

Basis of Accounting -

PCWC records its financial transactions and maintains its books and records on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Comparative Financial Information -

The statements of activities and functional expenses include certain prior year, summarized, comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with PCWC's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Basis of Presentation-

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations.* Under the ASC, PCWC is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the PCWC. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of PCWC and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, PCWC considers all highly liquid instruments, with an original maturity of three months or less, to be cash equivalents.

Receivables -

Receivable are stated at unpaid balances, less an allowance for doubtful accounts, when applicable. PCWC provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of grantors to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with contractual or grant terms. It is PCWC's policy to generally charge off uncollectible accounts receivable when management determines the receivable will not be collected. Allowance for doubtful accounts for the years ended June 30, 2023 and 2022, was of $50,000 and $-0-, respectively.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment -

Property and equipment are carried at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related cost in accumulated depreciation. The resulting gain or loss is reflected in the statement of activities. PCWC generally capitalizes those assets in excess of $1,500. Depreciation and amortization of property and equipment are calculated primarily using the straight-line method over periods of 3 to 39 years. Depreciation for the years ended June 30, 2023 and 2022, amounted to $179,869 and $182,180, respectively. Property and equipment acquired by PCWC are considered to be owned by PCWC. However, grant-funding sources may maintain equitable interest in the property purchased with grant monies, as well as the right to determine the use of any proceeds from the sale of these assets.

Long-Lived Assets -

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the assets' carrying amount over the fair value of the asset. Fair value is based on market quotes, if available, or is based on valuation techniques. There were no impairment losses recognized during the years ended June 30, 2023 and 2022.

Leases -

PCWC determines if an arrangement is a lease or contains a lease at inception of the contract. PCWC's operating leases are presented in operating lease right-of-use assets, current portion of operating lease liabilities, and long-term portion of operating lease liabilities in the accompanying statement of financial position.

Operating lease right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease's commencement date. As most of PCWC's leases do not specify their implicit rate, PCWC has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by PCWC, less any lease incentives the PCWC receives from the lessor. PCWC has elected a practical expedient to account for lease and non-lease components together as a single lease component. The terms of PCWC's leases generally contain lease payments and reimbursements to the lessor of PCWC's proportionate share of common area maintenance (CAM), real estate taxes and other pass-through charges. Only the fixed lease components are included in the right-of-use assets and lease liabilities.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Leases - (Continued)

Additionally, PCWC has elected not to apply these lease accounting policies to leases with a term of one year or less at the commencement date. Operating lease expense for lease payments is recognized on a straight-line basis over the terms of each lease. Variable lease components include CAM, real estate taxes and other charges and are recorded as lease expense as incurred.

PCWC's leases can contain options granting the right to renew or extend the term of the lease for specified option periods. The decision as to whether PCWC will exercise the renewal options is generally at PCWC's sole discretion. PCWC includes lease extensions in the lease term when it is reasonably certain that the PCWC will exercise the extension.

Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results may vary from those estimates.

Income Tax Status -

PCWC has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established. PCWC files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, PCWC is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2020. PCWC does not expect a material net change in unrecognized tax benefits in the next twelve months.

Revenue Recognition for Contributions and Grants -

PCWC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give; that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions upon which they depend have been met.

A portion of the PCWC's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when PCWC has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition for Contributions and Grants - (Continued)

PCWC reports gifts of cash and other assets as with donor-restriction revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, 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 statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period as received are shown as contributions without donor restrictions on the statement of activities.

Revenue Recognition for Program Fees -

PCWC receives rental income from clients who reside in certain residential programs. Rental income is considered a single performance obligation that is recognized over time. Rental income is charged each month, and the monthly fees are recognized ratably over the life of the lease.

PCWC receives program fees from Medicaid billing. PCWC bills its Medicaid revenues based on preapproved rates for clients under PCWC's care. These services are considered a single performance obligation which is satisfied at a point in time. The performance obligation is met, and revenue is recognized when the services are provided to the clients. Medicaid revenues are billed after services are provided.

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses which are allocated based on estimates of time and effort, occupancy, and related expenses which are allocated based on square footage.

Concentrations of Credit Risk -

Financial instruments, which potentially subject PCWC to concentrations of credit risk, consist principally of cash. PCWC places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits.

New Accounting Pronouncement -

Effective July 1, 2022, the PCWC adopted ASU 2016-02, *Leases* (Topic 842) and subsequent amendments. Under ASU 2016-02, all of the PCWC's real estate and equipment leases that have lease terms exceeding twelve months will now be required to be recognized on the balance sheet as amortizable right-of-use assets accompanied by liabilities for the present value of the lease payments that the PCWC is obligated to make in order to obtain control of the leased assets for the duration of each lease term.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

New Accounting Pronouncement - (Continued)

Lease expense, under these amendments, will be recognized in different patterns depending on whether the underlying lease is an operating lease or a finance lease. Lease expense for operating leases will be recognized as a single expense using the straight-line method over the term of the lease, which includes options to renew the lease that the PCWC is reasonably expected to exercise. Finance lease expense will consist of two components, interest expense on the lease obligation payable and straight-line amortization of the right-of-use asset.

Implementation of these amendments is reflected using the modified retrospective method as of July 1, 2022. Consequently, the 2022 financial statements and disclosures do not reflect the effects of implementing the new lease standard. As a result of implementation, the PCWC recorded additional lease assets and lease liabilities of $5,890,066 as of July 1, 2022. Upon implementation, the Company elected an available package of practical expedients permitted under the transition guidance included in ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements* that permits the PCWC to carry forward the historical lease identification, classification and initial direct costs associated with the PCWC's pre-existing leases. The implementation of the amendments did not materially impact the PCWC's net earnings or cash flows.

(2) PROPERTY AND EQUIPMENT:

Property and equipment on June 30, 2023 and 2022, amounted to the following:

	2023	2022
Land	$ 228,720	$ 228,720
Buildings and improvements	2,122,731	2,087,713
Furniture, fixtures, and equipment	155,332	144,200
Vehicles	42,171	42,171
Leasehold improvements	272,447	272,447
Software and technology	19,300	19,300
	2,840,701	2,794,551
Less - Accumulated depreciation	(1,424,087)	(1,244,219)
Net property and equipment	$ 1,416,614	$ 1,550,332

(3) PLEDGES RECEIVABLE:

Included in pledges receivable are the following unconditional promises to give:

	2023	2022
Pledges receivable	$ 830,000	$ 1,225,000
Less - Unamortized discounts	-	-
Net unconditional promises to give	$ 830,000	$ 1,225,000
Amounts due in:		
Less than one year	$ 480,000	$ 475,000
One to five years	350,000	750,000
	$ 830,000	$ 1,225,000

(4) LEASE:

PCWC leases its facilities for use by administration and its interim housing program under operating leases with non-related parties. PCWC is also responsible for its share of real estate taxes, insurance, and maintenance costs for the buildings. The operating leases will expire at various dates through 2037.

The components of lease expense for the year ending June 30, 2023 are as follows:

Operating lease cost	$ 895,352

Future minimum lease payments under noncancelable leases as of June 30, 2023 are as follows:

2024	$ 595,735
2025	482,446
2026	364,766
2027	375,709
2028	386,980
Thereafter	4,305,512
Total future minimum lease payments	6,511,148
Less imputed interest included	(806,875)
Present value of net minimum lease payments	$ 5,704,273

(4) LEASE: (Continued)

The following provides additional information related to the PCWC's leases as of and for the year ended June 30, 2023:

Current portion of lease liabilities	$ 494,357
Long-term portion of lease liabilities	5,209,916
Total lease liabilities	$ 5,704,273
Weighted average lease term	13.76 years
Weighted average discount rate	2.04%

Cash paid for amounts included in the measurements of PCWC's leases for the year ended June 30, 2023 is as follows:

Operating cash from operating leases	$ 577,412

PCWC's rent expense from operating leases for the year ended June 30, 2022 was $492,048.

PCWC also leases three copiers and phone system with monthly payments that range from approximately $180 to $520 on a month-to-month basis. For the years ended June 30, 2023 and 2022, PCWC paid $7,186 and 7,608 in copiers and phone system, respectively.

(5) LINE OF CREDIT:

PCWC had a line of credit agreement with Bank of America in the amount of $750,000 which expired in December 2023. Interest is calculated using Bank of America's prime rate plus 1.75 percentage points (10% at June 30, 2023). As of June 30, 2023 and 2022, the outstanding balance was $515,000 and $750,000, respectively.

As part of the agreement, PCWC must maintain a minimum of unrestricted, unencumbered liquid assets of not less than $750,000. As of June 30, 2023, PCWC was not in compliance with this requirement.

Subsequent to year end, the line was paid down to $365,000 and the line was negotiated to a maximum level of $365,000 and is due in June 2024.

(6) NOTES PAYABLE:

In December 2014, PCWC obtained and closed on a property subject to the Neighborhood Stabilization program, through a transfer from the City of Chicago. Pursuant to the agreement, the value of the property transferred was $2,287,203 and is subject to certain conditions for use. In order to pay for the property, PCWC obtained a 10-year loan (considered a "senior loan") at an interest rate of 5.75% computed on a 360-day basis from the IFF in the amount of $125,000, and a subordinated interest-free mortgage from the City of Chicago in the amount of $2,162,203. The subordinated mortgage will be forgiven ratably over a period of 15 years. The outstanding loan balance on June 30, 2023 and 2022, was $928,069 and $1,072,215, respectively.

(6) NOTES PAYABLE: (Continued)

In February 2015, PCWC obtained a program-related investment loan from an organization which was collateralized by equipment and a vehicle. The loan is payable in annual payments of $28,872, with an interest rate of 5%. The loan was due in October 2021, but was extended and is due on demand. The outstanding balance of the loan on June 30, 2023 and 2022, was $69,441.

(7) CONCENTRATIONS:

PCWC's operations are concentrated in the social service sectors, and as such, PCWC operates in a heavily regulated environment. The operations of PCWC are subject to the administrative directives, rules, and regulations of regulatory agencies including, but not limited to, the City of Chicago and the United States Department of Housing and Urban Development.

For the year ended June 30, 2023 PCWC received support from one governmental entity that accounted for approximately 37% of total revenues. For the year ended June 30, 2022 PCWC received support from two entities that accounted for approximately 60% of total revenues.

(8) FUTURE COMMITTED REVENUE:

PCWC has received the following future committed revenue as of June 30, 2023:

Grants for reimbursable expenses	$ 1,372,331

(9) RETIREMENT PLAN:

PCWC has a 401(k)-retirement plan, which allows primarily all employees to defer payment of taxes on a portion of their salary by making contributions to the plan through payroll deductions. The Organization has the option to make contributions based on a percentage of participant's eligible compensation. For the years ended June 30, 2023 and 2022, PCWC did not make any contributions.

(10) NET ASSETS WITH DONOR RESTRICTIONS:

	2023	2022
Time restrictions	$ 160,000	$ 180,000
Kids Connected	743,069	1,125,000
Total	$ 903,069	1,305,000

(11) LIQUIDITY AND AVAILABILITY:

	2023	2022
Financial Assets:		
Cash and equivalents	$ 226,007	$ 191,060
Unconditional promises to give	830,000	1,125,000
Grants receivable, net	909,615	1,104,526
Total financial assets	1,965,622	2,420,586
Less: Assets with donor restrictions	(903,069)	(1,305,000)
Financial assets available to meet cash needs for general expenditures that are without donor or other restrictions limiting their use within one year	$ 1,062,553	$ 1,115,586

PCWC manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability
- incurring unbudgeted cost only when such cost are funded
- maintaining adequate liquid assets to fund near-term operating needs

(12) MANAGEMENT RESPONSE TO NET ASSETS DEFICIT AND ITS SUBSEQUENT PLANS:

As indicated in the accompanying financial statements, PCWC incurred a loss of $889,917 and $1,394,184 during 2023 and 2022, respectively, and had a net asset without donor restrictions deficit of $287,376 as of June 30, 2023.

Management and Board of Directors of the PCWC have evaluated these conditions and are implementing a strategic plan to improve PCWC's operating performance in various programs. The plan includes the recruitment and hiring of a new CEO, who will lead the implementation of more rigorous internal reviews of the Center's finances, including periodic internal audits of the Center's receivables and a new fundraising program.