

**LA CASA NORTE and  
LCN Title Holding Corporation NFP**

**Consolidated Financial Statements  
and Supplementary Information  
(Including Reports Required by  
OMB's Uniform Guidance)**

**For the Year Ended  
December 31, 2017**

**LA CASA NORTE and  
LCN Title Holding Corporation NFP**

**Annual Financial Report**

Table of Contents

SECTION I

Independent Auditor's Report .....1 - 3

Consolidated Financial Statements

Statement of Financial Position.....4

Statement of Activities .....5

Statement of Functional Expenses.....6

Statement of Cash Flows .....7 - 8

Notes to Consolidated Financial Statements .....9 - 20

Supplementary Information

Consolidating Statement of Financial Position .....21

Consolidating Statement of Activities.....22

Consolidating Schedule of Functional Expenses .....23

SECTION II

Reports Required by OMB's Uniform Guidance

Consolidated Schedule of Expenditures of Federal Awards. ....24

Notes to the Consolidated Schedule of Expenditures of Federal Awards..... 25

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*. ....26 - 27

Independent Auditor's Report on Compliance for Each Major Federal  
Program and Report on Internal Control Over Compliance Required by  
The Uniform Guidance.....28 - 29

Consolidated Schedule of Findings and Questioned Costs .....30 - 33



# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **Independent Auditor's Report**

To the Board of Directors  
La Casa Norte and LCN Title Holding Corporation NFP  
Chicago, IL

We have audited the accompanying consolidated financial statements of La Casa Norte and LCN Title Holding Corporation NFP (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of LCN Title Holding Corporation NFP, a local affiliate, which statements reflect total assets of \$20,644,729 as of December 31, 2017 and total support and revenues of \$846,381 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LCN Title Holding Corporation NFP, is based solely on the report of other auditors. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Opinion***

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of La Casa Norte and LCN Title Holding Corporation NFP as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements as a whole. The accompanying consolidating supplementary information on Pages 21 through 23 and Schedule of Expenditures of Federal Awards on Page 24, as required by Title 2 *U.S Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and is not a required part of the basic combined 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 combined financial statements. This information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 August 21, 2018 on our consideration of La Casa Norte's and LCN Title Holding Corporation NFP'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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering La Casa Norte's and LCN Title Holding Corporation NFPs internal control over financial reporting and compliance.

***Report on Summarized Comparative Information***

We have previously audited La Casa Norte's and LCN Title Holding Corporation NFP's consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Desmond & Ahern, Ltd*

August 21, 2018  
Chicago, IL

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2017 (with comparative totals for 2016)**

	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Current Assets		
Cash	\$ 447,032	\$ 336,204
Government contract receivables	382,981	380,398
Contributions receivable	542,479	174,000
Capital campaign contribution receivables	15,800	191,964
Other receivables	19,308	1,742
Prepaid expenses and deposits	54,311	44,855
Total current assets	<u>1,461,911</u>	<u>1,129,163</u>
Cash - restricted	17,111,186	663,619
Capital campaign contribution receivables, net of current portion	-	483,000
Notes receivable	12,511,000	-
Net property and equipment	987,208	1,424,285
Construction in progress	5,206,761	1,305,405
<b>Total Assets</b>	<b><u>\$ 37,278,066</u></b>	<b><u>\$ 5,005,472</u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable - trade	\$ 65,757	\$ 9,753
Accrued payroll and related expenses	69,673	25,254
Client savings	659	639
Refundable advance	250,641	276,215
Line of credit	-	35,000
Construction contract payable	1,007,786	-
Other construction cost payable	36,661	-
Note payable	3,500,000	228,750
Total current liabilities	<u>4,931,177</u>	<u>575,611</u>
Note payable	5,300,000	2,192,628
Mortgage notes payable	18,750,000	2,237,233
Total liabilities	<u>28,981,177</u>	<u>5,005,472</u>
Net Assets		
Unrestricted	5,140,213	2,192,628
Temporarily restricted	3,156,676	2,237,233
Total net assets	<u>8,296,889</u>	<u>4,429,861</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 37,278,066</u></b>	<b><u>\$ 5,005,472</u></b>

See independent auditor's report and notes to financial statements.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017 (with comparative totals for 2016)**

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
<b><u>Public Support and Revenue</u></b>				
Government grants	\$ 3,005,047	\$ -	\$ 3,005,047	\$ 2,824,396
Foundation and corporate contributions	641,992	625,000	1,266,992	665,089
Individual contributions	138,239	40,986	179,225	88,444
Capital campaign contributions	-	3,518,703	3,518,703	771,547
Tax credit donation (net of exp \$104,646)	688,354	-	688,354	-
Special Events				
Ticket revenue	58,226	17,210	75,436	30,903
Contributions	220,684	-	220,684	356,689
Donated goods	357	-	357	17,890
Less costs of direct benefits to donors	(99,351)	-	(99,351)	(95,500)
Net revenues from special events	<u>179,916</u>	<u>17,210</u>	<u>197,126</u>	<u>309,982</u>
Miscellaneous income	3,525	2,200	5,725	11,764
Loss on disposal of assets	(351,633)	-	(351,633)	-
Rental income	29,610	-	29,610	-
Interest income	68,187	2,079	70,266	-
Net assets released from restriction				
Satisfaction of program restrictions	<u>3,286,735</u>	<u>(3,286,735)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>7,689,972</u>	<u>919,443</u>	<u>8,609,415</u>	<u>4,671,222</u>
<b><u>Expenses</u></b>				
Program Services				
Community and Supportive Services	525,064	-	525,064	770,196
Solid Ground	455,103	-	455,103	454,107
Youth in College	251,758	-	251,758	-
Palante	1,171,398	-	1,171,398	1,070,253
Casa Corazon	1,250,022	-	1,250,022	1,088,944
The Foundation Project	105,046	-	105,046	23,641
Total program services	<u>3,758,391</u>	<u>-</u>	<u>3,758,391</u>	<u>3,407,141</u>
Management and general expenses	632,632	-	632,632	295,224
Fundraising	351,364	-	351,364	360,183
Total expenses	<u>4,742,387</u>	<u>-</u>	<u>4,742,387</u>	<u>4,062,548</u>
<b>Change in net assets</b>	2,947,585	919,443	3,867,028	608,674
<b>Net assets, beginning of year</b>	<u>2,192,628</u>	<u>2,237,233</u>	<u>4,429,861</u>	<u>3,821,187</u>
<b>Net assets, end of year</b>	<u>\$ 5,140,213</u>	<u>\$ 3,156,676</u>	<u>\$ 8,296,889</u>	<u>\$ 4,429,861</u>

See independent auditor's report and notes to financial statements.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2017 (with comparative totals for 2016)**

	Program Services						Total	Management and General	Fundraising	2017 Total	2016 Total
	Community and Supportive Services	Solid Ground	Youth in College	Palante	Casa Corazon	The Foundation Project					
<b>Functional Expenses</b>											
Salaries and benefits	\$ 445,051	\$ 350,456	\$ 180,693	\$ 341,035	\$ 947,104	\$ -	\$ 2,264,339	\$ 317,111	\$ 229,836	\$ 2,811,286	\$ 2,513,648
Total salaries, taxes and fringe benefits	445,051	350,456	180,693	341,035	947,104	-	2,264,339	317,111	229,836	2,811,286	2,513,648
Consultant and professional fees	20,894	15,417	4,558	26,239	58,088	30	125,226	41,852	39,254	206,332	118,030
Bank and credit card processing fees	-	-	-	1,066	-	513	1,579	10,624	32	12,235	-
Program expenses	6,883	12,145	11,643	63,058	31,946	-	125,675	-	-	125,675	115,261
Client rental assistance	-	4,902	36,000	708,390	-	-	749,292	-	-	749,292	554,970
Grants and scholarships	-	-	6,423	-	-	-	6,423	5,000	-	11,423	-
Supplies	271	366	62	1,703	1,196	-	3,598	3,490	568	7,656	30,870
Training and development	3,097	120	-	723	918	-	4,858	6,844	1,121	12,823	14,522
Meetings	402	31	655	428	191	-	1,707	10,711	1,114	13,532	15,609
Licenses, fees and permits	1,918	1,803	806	1,546	4,177	2,295	12,545	2,998	11,135	26,678	20,611
Occupancy	22,999	15,663	4,386	3,011	158,087	266	204,412	36,519	9,703	250,634	243,746
Insurance	1,540	2,801	691	1,965	5,213	206	12,416	8,602	159	21,177	16,821
Equipment and furniture, less than \$1,000	488	362	136	187	5,349	-	6,522	818	701	8,041	128,726
Maintenance and repairs	1,102	10,018	2,069	687	14,555	-	28,431	10,160	784	39,375	36,308
Postage and delivery	35	40	11	72	104	210	472	2,582	947	4,001	2,734
Marketing	-	-	-	-	-	-	-	-	-	-	2,418
Printing and advertising	726	58	-	58	-	355	1,197	710	3,627	5,534	1,615
Fundraising and special events	-	-	-	-	-	-	-	-	45,661	45,661	39,964
Subscriptions and memberships	748	399	318	2,716	1,087	2,500	7,768	7,398	2,498	17,664	12,305
Travel	16,317	704	1,970	14,861	4,904	-	38,756	16,277	-	55,033	52,200
Miscellaneous	-	-	-	785	-	-	785	16,029	236	17,050	21,208
Interest	-	-	-	-	-	98,671	98,671	778	-	99,449	6,090
Volunteer expenses	-	-	-	-	-	-	-	-	359	359	1,053
Bad debt expense	-	-	-	-	-	-	-	117,155	-	117,155	6,293
	<u>77,420</u>	<u>64,829</u>	<u>69,728</u>	<u>827,495</u>	<u>285,815</u>	<u>105,046</u>	<u>1,430,333</u>	<u>298,547</u>	<u>117,899</u>	<u>1,846,779</u>	<u>1,441,354</u>
Total expenses before depreciation and donated goods and services	522,471	415,285	250,421	1,168,530	1,232,919	105,046	3,694,672	615,658	347,735	4,658,065	3,955,002
Depreciation	2,593	39,678	1,337	2,828	16,926	-	63,362	16,974	3,629	83,965	89,656
Donated goods	-	140	-	40	177	-	357	-	-	357	17,890
<b>Total Expenses</b>	<u>\$ 525,064</u>	<u>\$ 455,103</u>	<u>\$ 251,758</u>	<u>\$ 1,171,398</u>	<u>\$ 1,250,022</u>	<u>\$ 105,046</u>	<u>\$ 3,758,391</u>	<u>\$ 632,632</u>	<u>\$ 351,364</u>	<u>\$ 4,742,387</u>	<u>\$ 4,062,548</u>

See independent auditor's report and notes to financial statements.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2017 (with comparative totals for 2016)**

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in net assets	\$ 3,867,028	\$ 608,674
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation of property and equipment	83,965	89,656
Loss on disposal of assets	351,633	-
Capital campaign contributions	-	(771,547)
Decrease (increase) in assets		
Government grants receivable	(2,583)	233,656
Contribution receivables	(368,479)	(157,179)
Other receivables	(17,566)	(1,742)
Prepaid expenses and deposits	(9,456)	29,407
Increase (decrease) in liabilities		
Accounts payable and payroll accrual	100,423	(185,569)
Construction contract payable	1,007,786	-
Other construction cost payable	36,661	-
Client savings	20	(1,580)
Refundable advances	(25,574)	193,877
Net cash provided by operating activities	<u>5,023,858</u>	<u>37,653</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Additions of construction in progress	(3,884,991)	(345,327)
Purchase of property and equipment	<u>(14,886)</u>	<u>(180,901)</u>
Net cash used by investing activities	<u>(3,899,877)</u>	<u>(526,228)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Origination of notes receivable	(12,511,000)	-
Proceeds from issuance of notes payable	8,800,000	-
Payments of principal on notes payable	(263,750)	(175,505)
Proceeds from mortgage note	18,750,000	-
Cash received - capital campaign	<u>659,164</u>	<u>662,980</u>
Net cash provided by financing activities	<u>15,434,414</u>	<u>487,475</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	16,558,395	(1,100)
<b>Cash and cash equivalents, beginning of year</b>	<u>999,823</u>	<u>1,000,923</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 17,558,218</u></u>	<u><u>\$ 999,823</u></u>

See independent auditor's report and notes to financial statements.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2017 (with comparative totals for 2016)**

	<u>2017</u>	<u>2016</u>
<b>Supplemental Cash Flow Information</b>		
Interest paid	<u>\$ 163,440</u>	<u>\$ 6,090</u>
<b>Cash and Cash Equivalents</b>		
Cash	\$ 447,032	\$ 336,204
Cash - restricted		
Client savings	659	639
Construction - reserves	360,866	-
Construction	15,437,968	-
Capital campaign	<u>1,311,693</u>	<u>662,980</u>
	<u>\$ 17,558,218</u>	<u>\$ 999,823</u>

See independent auditor's report and notes to financial statements.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

The accompanying financial statements reflect the consolidated operations of La Casa Norte and LCN Title Holding Corporation NFP (collectively referred to as the Organizations).

La Casa Norte (LCN) is a not-for-profit organization whose mission is to serve youth and families confronting homelessness by providing access to stable housing and deliver comprehensive services that act as a catalyst to transform lives and communities.

LCN Title Holding Corporation NFP (LCNTHC), an Illinois not for corporation formed on January 29, 2016 and operates exclusively for the charitable purpose of holding title to or leasehold interest in property and collecting residential and commercial rental income from that property, remitting income, less expenses to La Casa Norte.

A majority of the board of directors of LCNTHC is comprised of board members and senior management of LCN. As such, it is considered to be controlled by LCN. It serves as the leverage lender for LCN's New Markets Tax Credit (NMTC) transaction (see Note 8).

The following programs are included in the accompanying consolidated financial statements:

*The Community & Supportive Services Program (formerly the Crisis Center)* provides free, accessible, bilingual and culturally appropriate case management and housing advocacy services to families, unaccompanied youth and single individuals who are homeless or at risk of becoming homeless. The Community & Supportive Services Program staff work in partnership with clients to obtain and maintain housing stability. Its primary subprograms included La Casa Norte's rapid re-housing program, its Illinois DCFS client housing stabilization program and LCN's homeless prevention program. The Organization also manages the Northwest Food Partners Network focused on eliminating hunger.

*The Solid Ground Supportive Housing Program* provides safe, stable housing for homeless male youth, age 16 to 21. Youth can live at Solid Ground for up to two years, during which time they benefit from comprehensive case management services focusing on a holistic, strength-based approach provided within a trauma informed care and transformative justice model.

*Youth in College* provides housing, support and academic services to full time college students who are experiencing homelessness. LCN also established the More Than Ever Education scholarship fund providing scholarships for program students.

*La Casa Norte's Palante Supportive Housing Program* is a scattered site permanent housing initiative which provides chronically homeless youth and families with long-term stable housing. Clients housed in the program are provided with both housing subsidies and supportive services. Support services include case management, therapy, nutrition education, and referrals to a range of additional services such as health care, substance abuse treatment, mental health, child care, legal assistance, work force development services, and educational programming.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

*Casa Corazon* is LCN's unaccompanied homeless youth outreach and engagement project which focuses on connecting homeless youth to services. This program provides street outreach, drop in centers and comprehensive case management services to youth (including pregnant and parenting women) and emergency overnight shelter beds for homeless youth between 18 and 24 years of age.

*The Foundation Project* is LCN's newest capital facility that includes onsite supportive housing, a healthcare and nutrition center and a drop in program all for youth and families experiencing homelessness. The organization conducted an extensive capital campaign over multiple years and the financial closing occurred in June 2017 with construction beginning immediately thereafter. The estimated completion date is October 2018 at which time, LCN will occupy the property and begin to provide program services from this additional location.

Consolidated Financial Statements

The accompanying financial statements reflect the consolidation of the financial statements of La Casa Norte and LCN Title Holding Corporation NFP. All material inter-organization accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, accounts payable and other liabilities in accordance with U.S. Generally Accepted Accounting Principles.

Basis of Presentation

The Organizations follow generally accepted accounting principles. These principles require the Organizations to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets as of December 31, 2017.

LCNTHC was formed on January 29, 2016. Accordingly, the accompanying consolidated financial statements reflect the activities for the period from January 29, 2016 (date of formation) through December 31, 2017. The Company's program services are all related to program which is to make Qualified Low-Income Community Investments ("QLICLs") throughout its service area or other activities which qualify for NMTCS; therefore, all expenses reported in the financial statements are related to that program. The Company has no general and administrative expenses as of December 31, 2017.

Income Tax Status

La Casa Norte was granted exemptions from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and have been classified as an Organizations that are not private foundations under Section 509(a)(1). LCNTHC was granted

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

exemptions from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(2). The tax-exempt purpose of the Organizations and the nature in which they operate are described above.

Management’s assertion is that there are no uncertain tax positions and the Organizations continue to operate in compliance with their tax-exempt purpose. The Organizations’ annual informational and income tax returns filed with the federal and state governments are subject to examination generally three years after they are filed.

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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. The accounts may at times, exceed the federally insured limit of \$250,000

For purposes of the Statement of Cash Flows, the Organizations considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. The Organizations provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and building improvements	15 - 40 years
Furniture and computer equipment	3 - 7 years
Transportation equipment	5 years

Impairment of Long-Lived Assets

The Organizations review their rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset’s carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2017.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Support and Revenue

The Organizations report gifts of cash and other assets as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organizations reports the support as unrestricted.

The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

As of December 31, 2017, contribution receivables represent unconditional promises to give by donors, some of which are due in installments. Management has determined that any discount would not be material and as such, no discount for contributions receivable in more than one year has been recorded. Management has assessed contributions receivable and government grants receivable and determined that no allowance is necessary.

Government Contributions

Support funded by government contracts, which qualify as conditional promises to give, are recognized when the condition of performing the contracted services is met. Revenue is therefore recognized as earned as the condition of eligible expenses is incurred. These expenditures are subject to audit and acceptance by the granting Organization and, as a result of such audit, adjustments could be required.

Donated Services

Contributed services are recognized at fair market value 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. During the current year, the Organizations did not receive any donated services meeting this criteria.

In-Kind Contributions

In addition to receiving cash contributions, the Organizations may, at times, receive in-kind contributions from various donors. It is the policy of the Organizations to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. During the current year, the Organizations received \$357 meeting this criterion.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Risk

During the year ended December 31, 2017, the Organizations received approximately 55% of its funding from four donors. Following is a breakdown by funding agency of the portion of the Organization’s revenue for the year ending December 31, 2017 and the percentage of government receivables at December 31, 2017:

	% of Total Revenue	% of Government Receivables
U.S. Department of Housing and Urban Development	16%	37%
Pritzker Family Foundation	14%	0%
Knight Family	12%	0%
City of Chicago		
Department of Family and Supportive Services	13%	54%
	<u>55%</u>	<u>91%</u>

Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information. 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 the Organization’s financial statements for the year ending December 31, 2016, from which the summarized information was derived.

Reclassifications

Certain amounts previously reported in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Restricted Cash

*Construction Disbursement Account*

In accordance with the construction loan agreement, the LCNTHC is to establish a controlled disbursement account with the lender for the purpose of disbursing the loan proceeds. As of December 31, 2017, the balance in the construction disbursement account was \$14,874,517.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

*IFF Fee and Expense Reserve Account*

In accordance with the loan agreement, LCNTHC is to establish and maintain a separate account in the initial amount of \$316,200 for the purpose of paying the IFF Asset Management Fee and reimbursement of audit and tax preparation expenses. As of December 31, 2017, the balance in the IFF fee and expense reserve account was \$296,345.

*Construction Interest Reserve Account*

In accordance with the loan agreement, LCNTHC is to establish and maintain a separate account in the initial amount of \$126,642 for the purpose of paying the interest incurred during construction. As of December 31, 2017, the balance in the construction interest reserve account was \$62,651.

*CDF Interest Reserve Account*

In accordance with the loan agreement, LCNTHC is to establish and maintain a separate account in the amount of \$220,500 with the lender for the purpose of paying a portion of the interest related to the CDF loan, pay the CDF asset management fee, and to pay the CDF managing member \$12,500 for tax and audit expenses. As of December 31, 2017, the balance in the CDF interest reserve account was \$204,455.

*Leverage Lender Operating Account*

As of December 31, 2017, the balance in the LCN Leverage Lender Operating account was \$140,306. The purpose of the account is to be used for the financing/sourcing of the Project.

*LCN TIF Bridge Loan Interest Reserve*

In accordance with the PNC TIF Bridge loan agreement, LCN is to establish and maintain a separate account in the initial amount of \$201,515 for the purpose of paying interest related to the Bridge loan. As of December 31, 2017, the balance in the LCN TIF Bridge Loan Interest Reserve account was \$130,905.

*LCN Replacement Reserve*

In accordance with the loan agreement with the City of Chicago, LCN is to establish and maintain a separate account in the initial amount of \$37,500 for the purpose of long-term capital investment projects or other large and anticipated expenses that will be incurred in the future. As of December 31, 2017, the balance in the LCN Replacement Reserve account was \$37,515.

*LCN Operating Reserve*

In accordance with the City of Chicago Loan Agreement, LCN is to establish and maintain a separate account in the initial amount of \$52,410 for the purpose of setting aside funds to stabilize the Organizations for unexpected cash flow shortages, expenses, or losses. As of December 31, 2017, the balance in the LCN Operating Reserve account was \$52,410.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

*Client Savings Account*

As of December 31, 2017, \$659 was maintained on behalf of clients.

*Capital Campaign Cash*

As of December 31, 2017, \$1,311,693 is restricted for the redevelopment capital project.

Construction in Progress

As of December 31, 2017, the Organizations had \$5,206,761 in construction in progress. Construction has not been substantially completed and assets have not been depreciated.

Subsequent Events

For the fiscal year ended December 31, 2017, the Organization's management has evaluated subsequent events through August 21, 2018, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed through that date.

**Note 2 – Refundable Advances**

At December 31, 2017, refundable advances of \$250,641 are composed of \$35,741 U.S. Department of Housing and Urban Development, \$800 U.S. Department of Homeland Security, and \$214,100 from the Illinois Department of Human Services. These advances are conditional upon future program expenditures as prescribed by the funders or approved for carryover.

**Note 3 – Property and Equipment**

The Organizations' property and equipment at December 31, 2017 are as follows:

Buildings and improvements	\$ 1,245,317
Furniture and computer equipment	430,194
Land	56,676
	<u>1,732,187</u>
Accumulated depreciation	<u>(744,979)</u>
Net property and equipment	<u><u>\$ 987,208</u></u>

Depreciation expense amounted to \$83,965 for the year ended December 31, 2017.

**Note 4 – Construction Contract**

During 2017, LCNTHC entered into a construction contract agreement for a total contract price of \$14,678,000 with Power and Sons Construction Company to perform structure and site improvement on the property. Construction costs incurred for the period ended December 31, 2017 amounted to \$2,028,152 and are included in construction in progress on the accompanying consolidated statement of financial position. As of December 31, 2017, \$1,007,786 remains payable.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 5 – Mortgage Notes Payable**

In June 2017, LCNTHC obtained financing in an arrangement structured under the NMTC program. This program was enacted by Congress as part of the Community Renewal Tax Relief Act of 2000. Essentially, this program permits individual and corporate taxpayers to receive a credit for making Quality Equity Investments (QEIs) in qualified Community Development Entities (CDEs). LCNTHC has obtained financing from three separate CDEs to fund the construction of its new facility.

Under IRS guidelines for the NMTC program, the Organizations were required to provide investment funding through a separate legal entity (leveraged lender) into the QEI funds. For this reason, Pierce House Investment Fund, LLC was created to provide partial funding into the QEI (see Note 9).

The taxpayers who invested in the QEIs funds may claim a tax credit related to their investment over a seven-year credit period (also referred to as a the “Compliance Period”). During the Compliance Period, only interest is paid. Once the Compliance Period ends, there is a put and call agreement between the NMTC investors at both the state and federal level and the leverage lender Pierce House Investment Fund, LLC. The NMTC investors may put their ownership interests in the QEI funds to Pierce House Investment Fund, LLC for \$1,000. If the NMTC investors do not exercise their put option, Pierce House Investment Fund, LLC has the ability to call the ownership in the interest in the QEI funds for fair market value. It is anticipated that the NMTC investors will put their options and Pierce House Investment Fund, LLC would then own the QEI funds. Pierce House Investment Fund, LLC would then forgive LCNTHC notes payable, resulting in no outstanding debt at that point in time and a benefit of equity from the NMTC program may be recognized.

The loan agreement, dated June 27, 2017, is among LCNTHC, PNC CED 71, LP; IFF Capital 24 LLC; and CDF Suballocatee XXXI, LLC in the form of 6 different promissory notes (as noted below), for a combined amount of \$18,750,000. The notes bear a fixed rate of interest equal to .836% per annum, commencing on September 1, 2017, quarterly payments of interest in the amount of \$39,188 shall be payable until March 1, 2025, unless the principal balance is paid before the loan maturity date. Beginning March 1, 2025 through the maturity date of December 13, 2056, quarterly principal and interest payments are due in accordance with the amortization schedule. The loan is collateralized by real estate held for lease and an assignment of rents and leases.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 5 – Mortgage Notes Payable (cont.)**

The amount outstanding at December 31, 2017 was \$18,750,000 and consist of the following notes:

<u>PNC CDE 71, LP</u>		<u>IFF Capital 24 LLC</u>		<u>CDF Suballocatee XXXI, LLC</u>	
<u>Note</u>	<u>Balance</u>	<u>Note</u>	<u>Balance</u>	<u>Note</u>	<u>Balance</u>
A	\$ 2,271,500	A	\$ 4,074,000	A	\$ 6,165,500
B	1,228,500	B	1,866,000	B	3,144,500
Total	<u>\$ 3,500,000</u>	Total	<u>\$ 5,940,000</u>	Total	<u>\$ 9,310,000</u>

**Note 6 – Asset Management Fees**

*CDF Sub-CDE Asset Management Fee*

In accordance with the mortgage loan agreement, LCNTHC is to pay an asset management fee to CDF Management LLC in the amount of \$19,000 per year until the maturity of the CDF loan. As of December 31, 2017, asset management fees of \$16,100 were incurred and are included in real estate, net on the accompanying statement of financial position. As of December 31, 2017, no asset management fees remain payable.

*IFF Sub-CDE Asset Management Fee*

In accordance with this loan agreement, LCNTHC is to pay an asset management fee to CDF Management LLC in the amount of \$39,000 per year until June 27, 2024. As of December 31, 2017, asset management fees of \$19,933 were incurred and are included on the accompanying Statement of Financial Position as property and equipment, net. As of December 31, 2017, no asset management fees remain payable.

**Note 7 – Note Payable**

As of December 31, 2017, notes payable consist of the following items:

**PNC Bank**

On June 27, 2017, LCN obtained a \$3,500,000 TIF Bridge Loan from PNC Bank with an interest rate of 4.25% maturing on December 15, 2018. Quarterly interest only payments are due starting September 15, 2017.

\$ 3,500,000

On June 27, 2017, LCN obtained a \$1,100,000 Term Loan from PNC Bank with an interest rate of 4.25%. Interest only payments are due from September 15, 2017 through June 15, 2019. Beginning September 15, 2019, the loan terms require quarterly principal payments of \$11,000 plus interest payments of 4.25% of outstanding balance. Final payment of \$858,000 is due on December 15, 2024.

1,100,000

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 7 – Note Payable (cont.)**

**City of Chicago**

On June 27, 2017, LCN obtained a \$4,200,000 non-interest bearing loan from the City of Chicago. The entire principal balance outstanding, unless forgiven pursuant to Section 3.04 or Section 3.06(b) of the Loan Agreement, together with any other sums due under and of the Loan Documents, due and payable in full on June 1, 2064.

	<u>\$ 4,200,000</u>
	8,800,000
Less short term - notes payable	<u>(3,500,000)</u>
Long term - notes payable	<u><u>\$ 5,300,000</u></u>

Future maturities of long-term debt at December 31, 2017 are estimated as follows:

<u>Year Ending</u>	
2018	\$ 3,500,000
2019	22,000
2020	44,000
2021	44,000
2022	44,000
Thereafter	<u>5,146,000</u>
	<u><u>\$ 8,800,000</u></u>

Interest expense at December 31, 2017 amounted to \$99,449.

**Note 8 – Notes Receivable**

In June 2017, LCN loaned money in connection with the financing obtained through the NMTC program. The note receivable is from the Qualified Equity Investments (QEI) fund linked to the Organization’s financing obtained using the NMTC program (see Note 6 for further information related to the NMTC program). The note receivable of \$12,511,000 is with Pierce House Investment Fund, LLC. Interest rate of 1% payable quarterly effective September 10, 2017. First amortization payment of principal and interest will begin on March 10, 2025. As of December 31, 2017, \$63,945 of interest income was received and recorded in the Consolidated Statement of Activities.

The first seven years of the notes are defined as the “compliance period.” During the compliance period, only interest is paid. After the compliance period, there are put and call agreements between LCNTHC and the other investors in the QEI funds. If the other investors do not exercise their put options, LCNTHC has the ability to call the ownership in the interest in the QEI funds for fair market value. It is anticipated that the NMTC investors will put their option and LCNTHC will own the QEI funds at the end of the compliance period. However, if the other investors do not

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 8 – Notes Receivable (cont.)**

put in their interest, management plans to exercise its option to call. Collection is fully expected and accordingly, no allowance has been provided for on these notes (see Note 6 for additional information related to the NMTC transaction).

**Note 9 – Related Party Transactions**

*Due to Affiliate*

LCNTHC was advanced funds from LCN in the amount of \$3,901. The funds are noninterest bearing and due on demand. As of December 31, 2017, \$3,901 remains payable and was eliminated as an inter-organization transaction on the Consolidated Statement of Financial Position.

*Property Lease Commitment*

LCNTHC and LCN have entered into a net lease agreement dated June 17, 2017 and expiring on December 1, 2047. LCN shall pay basic rent for the property in quarterly installment amounts beginning September 1, 2018. LCN is expected to occupy the property upon construction completion in 2018.

*Contribution*

LCN made a contribution of \$842,255 in relation to costs incurred prior to closing to LCNTHC. As of December 31, 2017, \$842,255 has been paid and was eliminated as an inter-organization transaction on the Consolidated Statement of Activities and the Consolidated Statement of Functional Expenses.

**Note 10 – Capitalized Interest**

As of December 31, 2017, the Organizations incurred interest of \$63,991 and paid out of reserves, all of which was capitalized into property and equipment.

**Note 11 – Commitments and Contingencies**

LCNTHC has entered into various lease agreements to rent space upon construction completion. The lease agreements are contingent upon certain requirements in order for the rent commencement date to begin.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 12 – Temporarily Restricted Net Assets**

Temporarily restricted net assets are comprised of the following at December 31, 2017:

Redevelopment Capital Project	\$ 2,117,948
Federal Home Loan Bank Grant	128,000
U.S. Department of Housing and Urban Development	180,000
City of Chicago - Department of Housing	138,402
Solid Ground	1,162
Tiny Homes	55,503
Community and Supportive Services	51,230
MTE Education Fund	34,431
Time restricted contributions	450,000
	<u>\$ 3,156,676</u>

The Federal Home Loan Bank granted the Organization a \$128,000 grant during 2006 to be used in the rehabilitation of the Solid Ground Supportive Housing building. The Organization must comply with the Affordable Housing Program (AHP) regulations to maintain the AFP Subsidy for the 15-year term ending October 31, 2021. If the Organization is in non-compliance with the AHP subsidy, they may have to repay the Federal Home Loan Bank, including interest. The Organization was in compliance with applicable regulations at December 31, 2017.

On December 1, 2004, the U.S. Department of Housing and Urban Development granted the Organization \$200,000 for the rehabilitation of the Solid Ground Supportive Housing building. The grant need not be repaid as long as the Organization continues to operate as supportive housing for at least 20 years after the supportive housing project is placed in service. If the property is used as supportive housing for more than ten years, but less than 20 full years, HUD shall reduce the percentage of the amount required to be repaid by 10% for each full year in excess of ten years that the property is used as supportive housing. During 2017, the grant repayment obligation was reduced by the allowed 10% (\$20,000), leaving the temporarily restricted balance of \$180,000 at December 31, 2017. The Organization is in compliance with the award as of December 31, 2017.

The City of Chicago – Department of Housing originally granted the Organization \$307,560. The funds were used in conjunction with the rehabilitation of the Solid Ground Supportive Housing building. The building consists of 16 single room occupancy units required to be occupied by previously homeless individuals whose adjusted annual incomes at initial occupancy do not exceed 30 percent of the median family income for the Chicago area as determine by HUD. The Organization’s obligation to repay the grant shall be reduced annually by 5 percent of the amount of the grant for 20 consecutive years commencing on the first anniversary of the closing date of the rehabilitation project and on each anniversary thereafter. The first anniversary of the closing date of the rehabilitation project was October 2007. During 2017, the grant repayment obligation was again reduced by the allowed 5% (\$15,378), leaving the temporarily restricted balance of \$138,401 at December 31, 2017.

## **SUPPLEMENTARY INFORMATION**

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2017**

	La Casa Norte	LCN Title Holding Corporation, NFP	Eliminations	Consolidated Totals
<b><u>Assets</u></b>				
Current Assets				
Cash	\$ 447,032	\$ -	\$ -	\$ 447,032
Government contract receivables	382,981	-	-	382,981
Contribution receivables, current	542,479	-	-	542,479
Capital campaign contribution receivables	15,800	-	-	15,800
Other receivables	19,308	-	-	19,308
Due from affiliates	3,901	-	(3,901)	-
Prepaid expenses and deposits	54,311	-	-	54,311
Total current assets	<u>1,465,812</u>	<u>-</u>	<u>(3,901)</u>	<u>1,461,911</u>
Cash - restricted	1,673,218	15,437,968	-	17,111,186
Notes receivable	12,511,000	-	-	12,511,000
Net property and equipment	987,208	-	-	987,208
Construction in progress	-	5,206,761	-	5,206,761
<b>Total Assets</b>	<b><u>\$ 16,637,238</u></b>	<b><u>\$ 20,644,729</u></b>	<b><u>\$ (3,901)</u></b>	<b><u>\$ 37,278,066</u></b>
<b><u>Liabilities and Net Assets</u></b>				
Current Liabilities				
Accounts payable - trade	\$ 65,757	\$ -	\$ -	\$ 65,757
Accrued payroll and related expenses	69,673	-	-	69,673
Client savings	659	-	-	659
Refundable advance	250,641	-	-	250,641
Line of credit	-	-	-	-
Construction contract payable	-	1,007,786	-	1,007,786
Other construction cost payable	-	36,661	-	36,661
Due to affiliates	-	3,901	(3,901)	-
Note payable (net of long term)	3,500,000	-	-	3,500,000
Total current liabilities	<u>3,886,730</u>	<u>1,048,348</u>	<u>(3,901)</u>	<u>4,931,177</u>
Note payable - long-term	5,300,000	-	-	5,300,000
Mortgage notes payable - long-term	-	18,750,000	-	18,750,000
<b>Total Liabilities</b>	<b><u>9,186,730</u></b>	<b><u>19,798,348</u></b>	<b><u>(3,901)</u></b>	<b><u>28,981,177</u></b>
Net Assets				
Unrestricted	4,293,832	846,381	-	5,140,213
Temporarily restricted	3,156,676	-	-	3,156,676
Total net assets	<u>7,450,508</u>	<u>846,381</u>	<u>-</u>	<u>8,296,889</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 16,637,238</u></b>	<b><u>\$ 20,644,729</u></b>	<b><u>\$ (3,901)</u></b>	<b><u>\$ 37,278,066</u></b>

See independent auditor's report and notes to financial statements.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

	La Casa Norte		LCN Title Holding Corporation, NFP			Consolidated Totals		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Eliminations	Unrestricted	Temporarily Restricted	Consolidated Total
<b>Public Support and Revenue</b>								
Government grants	\$ 3,005,047	\$ -	\$ -	\$ -	\$ -	\$ 3,005,047	\$ -	\$ 3,005,047
Foundation and corporate contributions	641,992	625,000	842,255	-	(842,255)	641,992	625,000	1,266,992
Individual contributions	138,239	40,986	-	-	-	138,239	40,986	179,225
Capital campaign contributions	-	3,518,703	-	-	-	-	3,518,703	3,518,703
Tax credit donation (net of exp \$104,646)	688,354	-	-	-	-	688,354	-	688,354
Special Events								
Ticket revenue	58,226	17,210	-	-	-	58,226	17,210	75,436
Contributions	220,684	-	-	-	-	220,684	-	220,684
Donated services	357	-	-	-	-	357	-	357
Less costs of direct benefits to donors	(99,351)	-	-	-	-	(99,351)	-	(99,351)
Net revenues from special events	179,916	17,210	-	-	-	179,916	17,210	197,126
Miscellaneous income	3,525	2,200	-	-	-	3,525	2,200	5,725
Loss on disposal of assets	(351,633)	-	-	-	-	(351,633)	-	(351,633)
Rental income	29,610	-	-	-	-	29,610	-	29,610
Interest income	64,061	2,079	4,126	-	-	68,187	2,079	70,266
Net assets released from restriction								
Satisfaction of program restrictions	3,286,735	(3,286,735)	-	-	-	3,286,735	(3,286,735)	-
Total public support and revenue	7,685,846	919,443	846,381	-	(842,255)	7,689,972	919,443	8,609,415
<b>Expenses</b>								
Program Services								
Community and Supportive Services	525,064	-	-	-	-	525,064	-	525,064
Solid Ground	455,103	-	-	-	-	455,103	-	455,103
Youth in College	251,758	-	-	-	-	251,758	-	251,758
Palante	1,171,398	-	-	-	-	1,171,398	-	1,171,398
Casa Corazon	1,250,022	-	-	-	-	1,250,022	-	1,250,022
The Foundation Project	947,301	-	-	-	(842,255)	105,046	-	105,046
Total program services	4,600,646	-	-	-	(842,255)	3,758,391	-	3,758,391
Management and general expenses	632,632	-	-	-	-	632,632	-	632,632
Fundraising	351,364	-	-	-	-	351,364	-	351,364
Total expenses	5,584,642	-	-	-	(842,255)	4,742,387	-	4,742,387
<b>Change in net assets</b>	2,101,204	919,443	846,381	-	-	2,947,585	919,443	3,867,028
<b>Net assets, beginning of year</b>	2,192,628	2,237,233	-	-	-	2,192,628	2,237,233	4,429,861
<b>Net assets, end of year</b>	\$ 4,293,832	\$ 3,156,676	\$ 846,381	\$ -	\$ -	\$ 5,140,213	\$ 3,156,676	\$ 8,296,889

See independent auditor's report and notes to financial statements.

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2017**

	Program Services							Total	Management and General	Fundraising	Consolidated Totals
	Community and Supportive Services	Solid Ground	Youth in College	Palante	Casa Corazon	The Foundation Project	Eliminations				
<b>Functional Expenses</b>											
Salaries and benefits	\$ 445,051	\$ 350,456	\$ 180,693	\$ 341,035	\$ 947,104	\$ -	\$ -	\$ 2,264,339	\$ 317,111	\$ 229,836	\$ 2,811,286
Total salaries, taxes and fringe benefits	445,051	350,456	180,693	341,035	947,104	-	-	2,264,339	317,111	229,836	2,811,286
Consultant and professional fees	20,894	15,417	4,558	26,239	58,088	30	-	125,226	41,852	39,254	206,332
Bank and credit card processing fees	-	-	-	1,066	-	513	-	1,579	10,624	32	12,235
Program expenses	6,883	12,145	11,643	63,058	31,946	-	-	125,675	-	-	125,675
Client rental assistance	-	4,902	36,000	708,390	-	-	-	749,292	-	-	749,292
Grants and scholarships	-	-	6,423	-	-	842,255	(842,255)	6,423	5,000	-	11,423
Supplies	271	366	62	1,703	1,196	-	-	3,598	3,490	568	7,656
Training and development	3,097	120	-	723	918	-	-	4,858	6,844	1,121	12,823
Meetings	402	31	655	428	191	-	-	1,707	10,711	1,114	13,532
Licenses, fees and permits	1,918	1,803	806	1,546	4,177	2,295	-	12,545	2,998	11,135	26,678
Occupancy	22,999	15,663	4,386	3,011	158,087	266	-	204,412	36,519	9,703	250,634
Insurance	1,540	2,801	691	1,965	5,213	206	-	12,416	8,602	159	21,177
Equipment and furniture, less than \$1,000	488	362	136	187	5,349	-	-	6,522	818	701	8,041
Maintenance and repairs	1,102	10,018	2,069	687	14,555	-	-	28,431	10,160	784	39,375
Postage and delivery	35	40	11	72	104	210	-	472	2,582	947	4,001
Printing and advertising	726	58	-	58	-	355	-	1,197	710	3,627	5,534
Fundraising and special events	-	-	-	-	-	-	-	-	-	45,661	45,661
Subscriptions and memberships	748	399	318	2,716	1,087	2,500	-	7,768	7,398	2,498	17,664
Travel	16,317	704	1,970	14,861	4,904	-	-	38,756	16,277	-	55,033
Miscellaneous	-	-	-	785	-	-	-	785	16,029	236	17,050
Interest	-	-	-	-	-	98,671	-	98,671	778	-	99,449
Volunteer expenses	-	-	-	-	-	-	-	-	-	359	359
Bad debt expense	-	-	-	-	-	-	-	-	117,155	-	117,155
	77,420	64,829	69,728	827,495	285,815	947,301	(842,255)	1,430,333	298,547	117,899	1,846,779
Total expenses before depreciation and donated goods and services	522,471	415,285	250,421	1,168,530	1,232,919	947,301	(842,255)	3,694,672	615,658	347,735	4,658,065
Depreciation	2,593	39,678	1,337	2,828	16,926	-	-	63,362	16,974	3,629	83,965
Donated goods	-	140	-	40	177	-	-	357	-	-	357
<b>Total Expenses</b>	<b>\$ 525,064</b>	<b>\$ 455,103</b>	<b>\$ 251,758</b>	<b>\$ 1,171,398</b>	<b>\$ 1,250,022</b>	<b>\$ 947,301</b>	<b>\$ (842,255)</b>	<b>\$ 3,758,391</b>	<b>\$ 632,632</b>	<b>\$ 351,364</b>	<b>\$ 4,742,387</b>

See independent auditor's report and notes to financial statements.

**REPORTS REQUIRED BY  
OMB'S UNIFORM GUIDANCE**

**LA CASA NORTE AND LCN TITLE HOLDING CORPORATION, NFP**  
**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Contract Number	Passed Through to Subrecipients	Disbursements or Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Continuum of Care (COC) Program	14.267	IL0205L5T101	-	\$ 91,461
	14.267	IL0573L5T101	-	184,002
	14.267	IL0499L5T101	-	316,383
	14.267	IL0463L5T101	-	169,806
	14.267	IL0594L5T101	-	285,589
			-	1,047,241
Passed through				
City of Chicago Department of Planning and Development Community Development Block Grants/Entitlement Grants	14.218	50217	-	24,012
City of Chicago Department of Family and Support Services Community Development Block Grants/Entitlement Grants	14.218	31152	-	38,843
			-	62,855
City of Chicago Department of Family and Support Services Section 8 Housing Choice Vouchers	14.871	37797	-	48,436
Emergency Fund				
Emergency Shelter Grants Program	14.231	31544	-	124,604
Total U.S. Department of Housing and Urban Development			-	1,283,136
<b>U.S. Department of Health and Human Services</b>				
Passed through				
Illinois Department of Children and Family Services Promoting Safe and Stable Families	93.556	405693	-	216,970
Chafee Foster Care Independence Program	93.674	405693	-	71,474
Total U.S. Department of Health and Human Services			-	288,444
<b>U.S. Department of Homeland Security</b>				
Passed through				
United Way Metro Chicago Emergency Food and Shelter National Board Program	97.024	LRO #237800-200	-	41,090
Total U.S. Department of Homeland Security			-	41,090
<b>Total Expenditures of Federal Awards</b>			-	\$ 1,612,670

(1) Major Program

**LA CASA NORTE and LCN TITLE HOLDING CORPORATION NFP  
CONSOLIDATED NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
December 31, 2017**

**Note 1 – Basis of Presentation**

The accompanying Consolidated Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal grant activity of La Casa Norte and LCN Title Holding Corporation NFP under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 US. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of La Casa Norte, it is not intended to and does not present the financial position, changes in net assets or cash flows of La Casa Norte.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *2 CFR Part 230 – Cost Principles for Non-Profit Organizations (OMB Circular A-122)*, wherein certain types or expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 – Sub-Recipients**

La Casa Norte and LCN Title Holding Corporation NFP did not provide any Federal awards to sub-recipients during the year ended December 31, 2017.

**Note 4 – Other Matters**

Amount of non-cash assistance	None
Amount of insurance	None
Amount of loans	None
Amount of loan guarantees	None



# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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**

To the Board of Directors of  
La Casa Norte and LCN Title Holding Corporation NFP  
Chicago, IL

We have audited in accordance with auditing standards 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 consolidated financial statements of La Casa Norte and LCN Title Holding Corporation NFP which comprise the statement of financial position as of December 31, 2017, 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 August 21, 2018.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered La Casa Norte and LCN Title Holding Corporation NFP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Casa Norte and LCN Title Holding Corporation NFP's internal control. Accordingly, we do not express an opinion on the effectiveness of the La Casa Norte and LCN Title Holding Corporation NFP'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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying schedule of findings and question costs as items 2017-001 and 2017-002 to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether La Casa Norte and LCN Title Holding Corporation NPF's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***LaCasa Norte and LCN Title Holding Corporation NFP's Response to Findings***

La Casa Norte and LCN Title Holding Corporation NFP's response to the findings identified in our audit are described in the accompanying consolidated schedule of findings and questioned costs. La Casa Norte and LCN Title Holding Corporation NFP's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and accordingly, we express no opinion on it.

### ***Purpose of the 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.

*Desmond & Akers, Ltd*

August 21, 2018  
Chicago, IL



# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report on Compliance for  
Each Major Federal Program and Report on Internal  
Control over Compliance Required by the Uniform Guidance**

To the Board of Directors  
La Casa Norte and LCN Title Holding Corporation NFP  
Chicago, IL

## **Report on Compliance for Each Major Federal Program**

We have audited La Casa Norte and LCN Title Holding Corporation NFP'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 La Casa Norte and LCN Title Holding Corporation NFP's major federal programs for the year ended December 31, 2017. La Casa Norte and LCN Title Holding Corporation NFP's major federal programs are identified in the summary of auditor's results section of the accompanying consolidated 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 La Casa Norte and LCN Title Holding Corporation NFP'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 La Casa Norte and LCN Title Holding Corporation NFP'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 La Casa Norte and LCN Title Holding Corporation NFP's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, La Casa Norte and LCN Title Holding Corporation NFP 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 December 31, 2017.

## **Report on Internal Control over Compliance**

Management of La Casa Norte and LCN Title Holding Corporation NFP 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 La Casa Norte and LCN Title Holding Corporation NFP'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 La Casa Norte and LCN Title Holding Corporation NFP's internal control over compliance.

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

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

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

*Desmond & Ahern, Ltd*

July 28, 2018  
Chicago, IL

**LA CASA NORTE and LCN TITLE HOLDING CORPORATION NFP  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2017**

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiencies identified that are not considered to be material weaknesses?        yes   X   no
- Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiencies identified that are not considered to be weakness(es)?        yes   X   no

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

Any audit findings disclosed that are required to be reported in accordance under 2 CFR section 200.516 (a)?        yes   X   no

**Certification of Major Programs**

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care (COC) Program

Dollar threshold used to distinguish between type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee?        yes   X   no

**LA CASA NORTE and LCN TITLE HOLDING CORPORATION NFP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017**

**Section II – Financial Statement Findings**

2017-001 Preparation of Generally Accepted Accounting Principles (GAAP) Financial Statements

*Condition:* We noted an absence of monitoring and knowledge in the preparation of financial statements that are fairly presented in conformity with generally accepted accounting principles (GAAP).

*Criteria:* This absence of fiscal monitoring controls and knowledge does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely manner.

*Cause:* This material weakness is due to a combination of the accounting department needing additional training and a lack of monitoring which may have identified the additional journal entries required to present GAAP financial statements.

*Effect:* Material adjusting entries were necessary to present the financial statement and related footnotes in accordance with GAAP for the year ending December 31, 2017.

*Auditor's Recommendation* We recommend that someone independent of the report's preparation (who is knowledgeable of GAAP, including specific not for profit pronouncements) review the statements to ensure all transactions have been properly recorded.

*Grantee Response:* We understand that timely and accurately fiscal information is vital to make sound decisions for management and program staff. In 2017, we made great efforts to improving our overall financial systems and functions. However, in Spring 2018 LCN experienced significant changes, with the departure of all three of the finance department staff members. Finance functions for the 2017 fiscal year were not complete upon their departure. This simultaneous and difficult departure left the organization in a unique situation having to utilize an interim staffing agency to help us complete the 2017 audit along with closing out the 2017 financial year activities.

Additionally, in June 2017, La Casa Norte completed the financial closing for the Foundation Project facility. This was a very complex financial transaction, with multiple sources of public government and private financing, including New Market Tax Credits, which required the establishment of an additional title holding company. The La Casa Norte finance team did not complete recording the transaction in a timely basis.

**LA CASA NORTE and LCN TITLE HOLDING CORPORATION NFP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017**

**Section II – Financial Statement Findings**

In July of 2018, with the assistance of an independent financial consulting firm (Financial Management Associates), La Casa Norte completed an internal assessment of our finance department. The infrastructure review focused on three areas: fiscal staffing, fiscal operations and financial performance management. The final report submitted to the board of directors includes a priority implementation plan that we are adopting immediately. The immediate steps include prioritizing the hire of a Director of Finance that excels in both technical and interpersonal domains to build a responsive, customer-oriented Finance department.

2017-002 Closing Records on a Timely Basis

*Criteria:* In a properly functioning internal control environment, accounting records are reconciled and closed within a reasonable time after the end of each accounting period. If records are not timely and accurately closed, management and board of directors may be making decisions based on incomplete information.

*Condition:* After the start of audit fieldwork, the Organization made material adjusting entries to accurately close out their accounting records. These entries were made over six months after the end of the fiscal year and after presentation of books and records to the auditors.

*Effect:* Over six months after the end of the fiscal year the Organization's accounting staff was still making journal entries to correct account balances on general ledger accounts including cash, receivables, prepaid expenses, accumulated depreciation, accounts payable, accrued expenses, net assets, revenue and expenses.

*Cause:* Due to a combination of the accounting department needing additional training and lack of management oversight, the Organization's accounting staff did not close their accounting records within a timely basis.

*Recommendation:* We recommend the Organization implement procedures to ensure accounting records are reconciled and financial statements completed within a reasonable time after the end of each period to allow management and the Board to make informed decisions. We also recommend that staff obtain additional not-for-profit accounting training.

*Grantee Response:* Same as response for 2017-001.

**LA CASA NORTE and LCN TITLE HOLDING CORPORATION NFP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017**

**Section III – Federal Award Findings and Questioned Costs**

None

**Section IV – Prior Year Audit Findings**

2016-001 Preparation of Generally Accepted Accounting Principles Financial Statements

*Condition:* The Organization is required to comply with the Cash Management Compliance requirements under the Uniform Guidance. During the course of the audit, it was discovered that the final grant draws were not drawn down based on actual cash requirements. As a result, excess cash was held at the end of the year and may require repayment. The provisions of the grant state that funds should be drawn down as needed, or on a reimbursement basis.

*Recommendation:* We recommend that someone independent of the report's preparation (who is knowledgeable of GAAP, including specific not for profit pronouncements) review the statements to ensure all transactions have been properly recorded.

*Current Status:* See Finding 2017-001.

2017-002 Closing Records on a Timely Basis

*Condition:* After the start of audit fieldwork, the Organization made material adjusting entries to accurately close out their accounting records. These entries were made over six months after the end of the fiscal year and after presentation of books and records to the auditors.

*Recommendation:* We recommend the Organization implement procedures to ensure accounting records are reconciled and financial statements completed within a reasonable time after the end of each period to allow management and the Board to make informed decisions. We also recommend that staff obtain additional not-for-profit accounting training.

*Current Status:* See Finding 2017-002.