

SARAH'S CIRCLE AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2022 AND 2021
TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sarah's Circle and Affiliates:

Report on the Audit of the Consolidated financial statements

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sarah's Circle and Affiliates as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 Consolidated Financial Statements section of our report. We are required to be independent of Sarah's Circle and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Sarah's Circle and Affiliates as of June 30, 2021 were audited by other auditors whose report dated September 22, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sarah's Circle and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

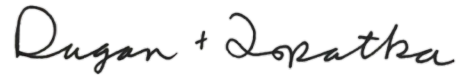
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Sarah's Circle's and Affiliates 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sarah's Circle and Affiliates' 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.

Independent Auditor's Report
To the Board of Directors of
Sarah's Circle and Affiliates
Page three

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022, on our consideration of Sarah's Circle and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sarah's Circle and Affiliates' 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 Sarah's Circle and Affiliates' internal control over financial reporting and compliance.



DUGAN & LOPATKA

Warrenville, Illinois
November 18, 2022

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
Sarah's Circle and Affiliates:

We have audited, 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, the consolidated financial statements of Sarah's Circle and Affiliates which comprise the consolidated statement of financial position as of June 30, 2022 and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 18, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Sarah's Circle and Affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sarah's Circle and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Sarah's Circle and Affiliates' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*

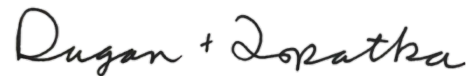
To the Board of Directors of
Sarah's Circle and Affiliates
Page two

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sarah's Circle and Affiliates' consolidated financial statements are free of 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 the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



DUGAN & LOPATKA

Warrenville, Illinois
November 18, 2022

SARAH'S CIRCLE AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,914,792	\$ 6,484,503
Cash, restricted	98,998	87,437
Grants receivable, net	222,850	1,191,333
Investments	9,258,519	8,788,896
Prepaid expenses	19,230	15,040
Total current assets	<u>17,514,389</u>	<u>16,567,209</u>
PROPERTY AND EQUIPMENT, net	<u>22,927,708</u>	<u>23,171,256</u>
OTHER ASSETS:		
Security deposits	<u>-</u>	<u>10,874</u>
Total assets	<u>\$ 40,442,097</u>	<u>\$ 39,749,339</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	45,925	165,591
Accrued liabilities	266,929	158,903
Total current liabilities	<u>312,854</u>	<u>324,494</u>
LONG-TERM LIABILITIES		
Refundable advance	-	309,740
Note payable, net of current maturity	2,627,790	2,627,790
Total long-term liabilities	<u>2,627,790</u>	<u>2,937,530</u>
Total liabilities	<u>2,940,644</u>	<u>3,262,024</u>
NET ASSETS:		
Without donor restrictions - Undesignated	30,986,429	30,722,791
With donor restrictions	6,515,024	5,764,524
Total net assets	<u>37,501,453</u>	<u>36,487,315</u>
Total liabilities and net assets	<u>\$ 40,442,097</u>	<u>\$ 39,749,339</u>

The accompanying notes are an integral part of this statement.

SARAH'S CIRCLE AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Public support and other income -						
Contributions	\$ 2,330,733	\$ 750,500	\$ 3,081,233	\$ 2,519,421	\$ 360,794	\$ 2,880,215
Grants	2,780,909	-	2,780,909	4,753,522	-	4,753,522
In-kind donations	381,706	-	381,706	320,840	-	320,840
Special events, net of direct expense \$9,098 and \$1,689, respectively	196,983	-	196,983	188,693	-	188,693
Program rental income	67,942	-	67,942	32,113	-	32,113
Investment income (loss)	195,240	-	195,240	(3,411)	-	(3,411)
Net assets released from restrictions	-	-	-	16,974,424	(16,974,424)	-
Total support and revenue	<u>5,953,513</u>	<u>750,500</u>	<u>6,704,013</u>	<u>24,785,602</u>	<u>(16,613,630)</u>	<u>8,171,972</u>
FUNCTIONAL EXPENSES:						
Program services -						
Interim housing	1,842,388	-	1,842,388	1,679,681	-	1,679,681
Permanent supportive housing	1,680,060	-	1,680,060	914,294	-	914,294
Daytime support center	574,510	-	574,510	428,147	-	428,147
Clinical services	-	-	-	104,881	-	104,881
Total program services	<u>4,096,958</u>	<u>-</u>	<u>4,096,958</u>	<u>3,127,003</u>	<u>-</u>	<u>3,127,003</u>
Management and general	232,083	-	232,083	177,632	-	177,632
Fundraising	288,607	-	288,607	215,321	-	215,321
Total functional expenses	<u>4,617,648</u>	<u>-</u>	<u>4,617,648</u>	<u>3,519,956</u>	<u>-</u>	<u>3,519,956</u>
CHANGE IN NET ASSETS, before unrealized (loss) on investments	1,335,865	750,500	2,086,365	21,265,646	(16,613,630)	4,652,016
Unrealized (loss) on investments	<u>(1,072,227)</u>	<u>-</u>	<u>(1,072,227)</u>	<u>(19,432)</u>	<u>-</u>	<u>(19,432)</u>
CHANGE IN NET ASSETS	263,638	750,500	1,014,138	21,246,214	(16,613,630)	4,632,584
NET ASSETS, Beginning of year	<u>30,722,791</u>	<u>5,764,524</u>	<u>36,487,315</u>	<u>9,476,577</u>	<u>22,378,154</u>	<u>31,854,731</u>
NET ASSETS, End of year	<u>\$ 30,986,429</u>	<u>\$ 6,515,024</u>	<u>\$ 37,501,453</u>	<u>\$ 30,722,791</u>	<u>\$ 5,764,524</u>	<u>\$ 36,487,315</u>

The accompanying notes are an integral part of this statement.

SARAH'S CIRCLE AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,014,138	\$ 4,632,584
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	733,683	485,195
Contributions for long-term investments	(750,500)	(360,794)
Unrealized loss on investments	1,072,227	19,432
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	968,483	(1,014,290)
(Increase) in prepaid expenses	(4,190)	(6,850)
Decrease in prepaid expenses	10,874	-
(Decrease) in accounts payable	(119,666)	(2,842,062)
Increase (decrease) in refundable advance - PPP	(309,740)	16,671
Increase in accrued liabilities	108,026	37,385
Total adjustments	<u>1,709,197</u>	<u>(3,665,313)</u>
Net cash provided by operating activities	<u>2,723,335</u>	<u>967,271</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchase of property	(490,135)	(7,276,340)
Proceeds from sale of investments	-	4,506,333
Payments for purchase of investments	<u>(1,541,850)</u>	<u>(10,814,621)</u>
Net cash (used in) investing activities	<u>(2,031,985)</u>	<u>(13,584,628)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions for long-term investment	750,500	360,794
Principal payments on notes payable debt	<u>-</u>	<u>(316,710)</u>
Net cash provided by investing activities	<u>750,500</u>	<u>44,084</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,441,850	(12,573,273)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>6,571,940</u>	<u>19,145,213</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 8,013,790</u>	<u>\$ 6,571,940</u>
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 7,914,792	\$ 6,484,503
Cash, restricted	<u>98,998</u>	<u>87,437</u>
Total cash and cash equivalents	<u>\$ 8,013,790</u>	<u>\$ 6,571,940</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ 19,569</u>

The accompanying notes are an integral part of this statement.

SARAH'S CIRCLE AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Total Program Services	Supporting Services		
	Daytime Services	Interim Housing	Permanent Housing	Clinical Services		Management and General	Fundraising	Total
Salaries	\$ 282,879	\$ 877,414	\$ 732,536	\$ -	\$ 1,892,829	\$ 114,273	\$ 142,106	\$ 2,149,208
Payroll taxes	25,425	78,861	65,839	-	170,125	10,271	12,772	193,168
Employee benefits	34,924	108,325	90,438	-	233,687	14,108	17,544	265,339
Total salaries and related expenses	343,228	1,064,600	888,813	-	2,296,641	138,652	172,422	2,607,715
Bank fees	8,566	26,571	22,184	-	57,321	3,461	4,303	65,085
Board and staff expenses	2,552	7,915	6,608	-	17,075	1,031	1,282	19,388
Client services	6,356	19,715	208,780	-	234,851	2,568	3,193	240,612
Contractual services	949	31,517	2,457	-	34,923	383	477	35,783
Depreciation and amortization	96,567	299,526	250,069	-	646,162	39,010	48,511	733,683
Development	76	237	198	-	511	31	37	579
Food supplies	5,467	16,958	14,158	-	36,583	2,209	2,747	41,539
Insurance	2,782	8,628	7,203	-	18,613	1,124	1,397	21,134
Interest	17,326	53,740	44,866	-	115,932	6,999	8,704	131,635
Marketing	1,286	3,988	3,330	-	8,604	519	646	9,769
Postage	1,070	3,320	2,772	-	7,162	432	538	8,132
Printing	4,275	13,259	11,069	-	28,603	1,727	2,147	32,477
Professional fees	8,026	24,895	20,784	-	53,705	3,242	4,032	60,979
Professional fees in-kind	25,053	77,708	64,877	-	167,638	10,121	12,585	190,344
Rent	-	31,836	-	-	31,836	-	-	31,836
Repairs and maintenance	22,747	70,557	58,906	-	152,210	9,189	11,428	172,827
Supplies	2,060	6,391	5,583	-	14,034	832	1,035	15,901
Supplies in-kind	7,894	24,484	20,195	-	52,573	3,189	3,965	59,727
Telephone and internet	3,434	10,650	8,892	-	22,976	1,387	1,725	26,088
Transportation	900	2,792	2,331	-	6,023	364	452	6,839
Utilities	13,166	40,836	34,094	-	88,096	5,318	6,614	100,028
Property tax	730	2,265	1,891	-	4,886	295	367	5,548
Total functional expenses per statement of activities	574,510	1,842,388	1,680,060	-	4,096,958	232,083	288,607	4,617,648
Direct Benefit to donors								
Meals	-	-	-	-	-	-	-	-
Entertainment	-	-	-	-	-	-	9,098	9,098
Total expenses	\$ 574,510	\$ 1,842,388	\$ 1,680,060	\$ -	\$ 4,096,958	\$ 232,083	\$ 297,705	\$ 4,626,746

The accompanying notes are an integral part of this statement.

SARAH'S CIRCLE AND AFFILIATES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Total Program Services	Supporting Services		
	Daytime Services	Interim Housing	Permanent Housing	Clinical Services		Management and General	Fundraising	Total
Salaries	\$ 211,232	\$ 753,753	\$ 451,079	\$ 51,745	\$ 1,467,809	\$ 87,637	\$ 106,231	\$ 1,661,677
Payroll taxes	15,275	54,506	32,619	3,742	106,142	6,337	7,682	120,161
Employee benefits	28,958	103,333	61,839	7,094	201,224	12,014	14,563	227,801
Total salaries and related expenses	255,465	911,592	545,537	62,581	1,775,175	105,988	128,476	2,009,639
Bank fees	1,777	6,342	3,795	435	12,349	737	894	13,980
Board and staff expenses	936	3,339	1,998	229	6,502	388	471	7,361
Client services	15,513	131,692	33,127	3,800	184,132	6,436	7,801	198,369
Contractual services	1,009	3,600	2,154	247	7,010	419	507	7,936
Depreciation and amortization	61,678	220,089	131,711	15,109	428,587	25,589	31,019	485,195
Development	65	232	139	16	452	27	33	512
Food supplies	6,369	22,727	13,601	1,560	44,257	2,642	3,203	50,102
Insurance	3,070	10,955	6,556	752	21,333	1,274	1,544	24,151
Interest	19,190	68,477	40,979	4,701	133,347	7,962	9,651	150,960
Marketing	2,981	10,637	6,365	730	20,713	1,237	1,499	23,449
Postage	657	2,346	1,404	161	4,568	273	331	5,172
Printing	2,403	8,575	5,132	589	16,699	997	1,209	18,905
Professional fees	3,135	11,188	6,695	768	21,786	1,301	1,577	24,664
Professional fees in-kind	12,838	45,810	27,415	3,145	89,208	5,326	6,456	100,990
Rent	-	75,557	-	-	75,557	-	-	75,557
Repairs and maintenance	18,570	66,265	39,656	4,549	129,040	7,704	9,339	146,083
Supplies	2,027	7,232	4,328	496	14,083	841	1,019	15,943
Supplies in-kind	6,664	23,783	14,233	1,633	46,313	2,765	3,352	52,430
Telephone and internet	3,367	12,015	7,190	825	23,397	1,397	1,693	26,487
Transportation	619	2,207	1,321	151	4,298	257	311	4,866
Utilities	9,814	35,021	20,958	2,404	68,197	4,072	4,936	77,205
Total functional expenses per statement of activities	428,147	1,679,681	914,294	104,881	3,127,003	177,632	215,321	3,519,956
Direct Benefit to donors								
Meals	-	-	-	-	-	-	-	-
Entertainment	-	-	-	-	-	-	1,689	1,689
Total functional expenses	\$ 428,147	\$ 1,679,681	\$ 914,294	\$ 104,881	\$ 3,127,003	\$ 177,632	\$ 217,010	\$ 3,521,645

The accompanying notes are an integral part of this statement.

SARAH'S CIRCLE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Sarah's Circle and Affiliates (the Organization) is an Illinois not-for-profit organization founded in 1979 and operates in Chicago, Illinois. The purpose of the Organization is to provide for essential human services for women who are homeless, and via all programs, end homelessness for women. This is accomplished by providing a full range of services including permanent and interim housing, basic life necessities, critical and emergency supportive services, we empower women to end their homelessness and realize their unique potential. Sarah's Circle House, Sarah's on Lakeside, LLC and Sarah's on Sheridan, LLC (Affiliates) are affiliates of the Organization.

The consolidated financial statements were available to be issued on November 18, 2022, 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 consolidated financial statements.

Basis of Accounting -

The Organization 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.

Basis of Presentation -

The Organization is required to report information regarding its financial position and activities according to 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 Organization. These net assets may be used at the discretion of management and the board of directors. The Board has designated \$2,005,000 and \$1,850,000 as of June 30, 2022 and 2021 for general operating reserves, respectively.

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 the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Nature of Programs -

Interim Housing - Every day the Interim Housing Program provides comprehensive services including shelter and 24-hour access to 50 women who are currently homeless. The goal of the program is to help women move into permanent housing as quickly as possible with intensive case management, housing coordination, and other individualized services tailored to the strengths and challenges of the individual.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Nature of Programs – (Continued)

Permanent Supportive Housing - The Organization provides permanent supportive housing to women who have a disabling condition who have been chronically homeless. Some women in this program were homeless for over a decade before being housed. Each woman in the program is provided with a housing subsidy, intensive case management, and other individualized supportive services to help her improve her health, well-being, and self-sufficiency. This type of housing has been proven to improve outcomes for the most difficult to serve individuals and reduce public costs for jails, emergency rooms, and other crisis services. In 2020, Sarah's Circle implemented a Rapid Rehousing program. This program is designed to move clients quickly from homelessness to permanent housing.

Daytime Support Center - The Daytime Support Center is a safe and welcoming community for any woman in need, whether street homeless, doubled up with friends or family, formerly homeless, struggling with domestic violence, or simply low income and in need of community. Services include basic necessities, such as food, bathrooms, showers, laundry, telephone, computers with internet access, and an address for mail; educational and general interest programming on a variety of topics; individualized case management; and housing coordination.

Clinical Services - Group and individual clinical services delivered via the Art Therapy Program to address trauma, domestic violence, mental illness, and other personal challenges are also provided at the Daytime Support Center and Interim Housing. These services provide women with tools and support to move towards greater self determination and empowerment, helping them recognize and build on the strengths they already have. In 2022, the Organization discontinued this program.

Principles of Consolidation -

These consolidated financial statements include the accounts of Sarah's Circle House, Sarah's on Lakeside, LLC, and Sarah's on Sheridan, LLC. No intercompany accounts and transactions have occurred.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are limited in use by contract for payment of costs of acquiring or constructing and operating a new shelter and of a related capital campaign. The total amount of restricted cash for these purposes is \$98,998 and \$87,437 for the years ended June 30, 2022 and 2021, respectively.

The Organization maintains certain cash and cash equivalents at one financial institution which, at times, may exceed federally insured limits. At June 30, 2022 and 2021, the bank balance of the deposits exceeded FDIC limits by approximately \$1,100,000 and \$366,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments -

Investments are carried at fair value in the statement of financial position. Investment securities, in general are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of market risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Money market funds included in the investment portfolio are treated as cash equivalents on the statement of financial position as they are short-term highly liquid investments that are readily convertible to known amounts of cash.

Grants Receivable -

Grants receivable are amounts due under cost reimbursement contracts with primarily county and state government agencies.

Grants receivables are reviewed periodically by management to determine the adequacy of the allowance for doubtful accounts. Based on management's evaluation, the Organization believes that an allowance for doubtful accounts is not considered necessary as of June 30, 2022 and 2021; however, actual write-offs may occur.

Property and Equipment -

Property and equipment are carried at original cost or fair market value at date of receipt for donated assets less accumulated depreciation. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. Depreciation expense totaled \$733,683 and \$485,195 as of June 30, 2022 and 2021, respectively.

Revenue Recognition for Contributions and Grants -

The Organization 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 Organization'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 the Organization 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) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition for Contributions and Grants - (Continued)

The Organization 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. If a restriction is fulfilled in the same time period in which the contribution or grant revenue is received, the contribution or grant revenue is reported as net assets without donor restrictions.

In-Kind Contributions -

The Organization receives contributed non-financial assets that include donated services and rental space. Gifts in-kind revenue is recorded at the respective fair values of the goods or services received at the time of the donation.

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles that prohibits the recording of donated services unless they create or enhance a nonfinancial asset or are specialized skills that would have been purchased if they were not donated.

Refundable advance -

Under the Paycheck Protection Program (PPP), The Organization received \$309,740 in 2021 and \$293,069 in 2020. The PPP was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization received full forgiveness of the loan balance that was outstanding at June 30, 2020 and 2021. The Organization has determined that the loan represents, in substance, a conditional grant as allowed under ASC 958-605 which recognizes revenue on nonexchange transactions when the barriers to the grants have been met. The refundable advance was reduced and the contribution was recognized as revenue when the related conditions were substantially met or explicitly waived.

Program Rent -

Program rent is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for the services. The Organization's program revenue consists of rental income which is considered to have a single performance obligation that is satisfied at a point in time. The performance obligations for this service is considered met, and revenue is recognized, at beginning of the month the lessee is using the space.

Use of Estimates -

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Allocation of Expenses -

The consolidated 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 depreciation, supplies, and repairs and maintenance, which are allocated on a square-footage basis as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Expenses that are specifically identifiable with a program are charged to that program.

Income Taxes -

The Organization 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.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization 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 2019. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Recently Issued Accounting Pronouncement -

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which provides guidance for improving financial reporting over lease transactions. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for fiscal periods beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

Reclassification -

Prior year amount has been reclassified to be consist with current year presentation.

(2) LIQUIDITY AND AVAILABILITY:

The Organization considers it appropriate that earnings from contributions with and without donor restrictions are for use in current programs which are ongoing, major, and central to its annual operations and are also available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in the subsequent years. Annual operations are defined as activities occurring during the Organization's fiscal year.

(2) LIQUIDITY AND AVAILABILITY: (Continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets -		
Cash and cash equivalents	\$ 7,914,792	\$ 6,484,503
Cash, restricted	98,998	87,437
Grant receivable, net	222,850	1,191,333
Investments	<u>9,258,519</u>	<u>8,788,896</u>
 Total financial assets	 17,495,159	 16,552,169
 Less: Donor imposed restrictions	 (6,515,024)	 (5,764,524)
Construction in progress amounts expended	<u>-</u>	<u>1,536,597</u>
 Net financial assets after donor-imposed restrictions	 10,980,135	 12,324,242
Less: Internal designations - Board advised funds	<u>2,005,000</u>	<u>1,850,000</u>
 Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year.	 <u>\$ 8,975,135</u>	 <u>\$ 10,474,242</u>

The Organization manages its liquidity and reserves adhering to the following principles:

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

The Organization has board-designated reserves, of which \$2,005,000 at June 30, 2022 is designated for general operations. The reserve is considered a liquid resource as the Board has ability to approve disbursements from the reserves to cover operation shortfalls.

(3) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for *Fair Value Measurement* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

(3) FAIR VALUE MEASUREMENTS: (Continued)

Level 1:

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

Level 2:

Inputs to the valuation methodology include:

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

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

Level 3:

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at June 30, 2022 and 2021.

Mutual Funds and Common Stocks: Valued at the closing price (net asset value) reported on the active market on which the individual securities are traded.

U.S. government obligations and Bonds: U.S. government agency obligations and bonds are measured at Level 2 and are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(3) FAIR VALUE MEASUREMENTS: (Continued)

The following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 5,105,649	\$ -	\$ -	\$ 5,105,649
Bonds	-	3,796,579	-	3,796,579
U.S. government obligations	-	73,842	-	73,842
Common stocks	<u>282,449</u>	<u>-</u>	<u>-</u>	<u>282,449</u>
Total assets at fair value	<u>\$ 5,388,098</u>	<u>\$ 3,870,421</u>	<u>\$ -</u>	<u>\$ 9,258,519</u>

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 3,744,984	\$ -	\$ -	\$ 3,744,984
Bonds	-	2,415,050	-	2,415,050
U.S. government obligations	-	-	-	-
Common stocks	127,871	-	-	127,871
Money Market	<u>2,500,992</u>	<u>-</u>	<u>-</u>	<u>2,500,992</u>
Total assets at fair value	<u>\$ 6,373,847</u>	<u>\$ 2,415,050</u>	<u>\$ -</u>	<u>\$ 8,788,896</u>

Investment income (loss) for the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 311,959	\$ 12,395
Realized (loss)	<u>(116,719)</u>	<u>(15,806)</u>
Total investment income (loss)	<u>\$ 195,240</u>	<u>\$ (3,411)</u>

(4) PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land and building	\$ 22,700,392	\$ 22,700,392
Construction in progress	1,981,759	1,536,597
Leasehold improvements	352,251	324,962
Furniture and equipment	<u>564,364</u>	<u>546,680</u>
	25,598,766	25,108,631
Less - Accumulated depreciation	<u>(2,671,058)</u>	<u>(1,937,375)</u>
	<u>\$ 22,927,708</u>	<u>\$ 23,171,256</u>

(5) LEASED FACILITIES:

The Organization leases its interim housing facility on an annual basis. Total rent expense for the years ended June 30, 2022 and 2021 is \$31,836 and \$75,557, respectively.

(6) NOTE PAYABLE:

Note payable consists of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Note payable to Illinois Housing Development Authority dated August 2012. There is no interest and no monthly payment, final balloon payment is due in December 2043. Secured by real property. Interest is imputed at 5%.	\$ 1,400,000	\$ 1,400,000
Note payable to the City of Chicago dated August 2012. There is no interest and no monthly payment, final balloon payment is due in August 2044. Secured by real property. Interest is imputed at 5%.	1,227,790	1,227,790
Less - Current portion	<u>-</u>	<u>-</u>
Long-term portion	<u>\$ 2,627,790</u>	<u>\$ 2,627,790</u>
Minimum notes payable due for the years ending June 30 are as follows:		
2044	<u>\$ 2,627,790</u>	

(7) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Future building projects	\$ 5,764,524	\$ 5,764,524
Capital campaign fund	<u>750,500</u>	<u>-</u>
	<u>\$ 6,515,024</u>	<u>\$ 5,764,524</u>

Net assets were released from temporary donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Case Managers	\$ -	\$ 30,000
1005 W. Leland placed in service	<u>-</u>	<u>16,944,424</u>
	<u>\$ -</u>	<u>\$ 16,974,424</u>

(8) RETIREMENT PLAN:

The Organization sponsors a 401(k) Plan for eligible employees. The plan provides for the Organization to make a required matching contribution. Contributions to the plan were \$69,354 and \$64,037 for the years ended June 30, 2022 and 2021, respectively.

(9) CONCENTRATIONS OF PUBLIC SUPPORT AND REVENUE:

The Organization received approximately 13% of its total public support and revenue from City of Chicago for year ended June 30, 2022.

(10) IN-KIND CONTRIBUTIONS:

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included the following:

	<u>2022</u>	<u>2021</u>
Professional services	\$ 190,344	\$ 100,990
Supplies	59,727	52,430
Interest	131,635	131,390
Donated services	<u>-</u>	<u>36,030</u>
Total	<u>\$ 381,706</u>	<u>\$ 320,840</u>

Fair value of in-kind contributions is determined as follows:

Professional services: Professional services consist of all legal services that was provided pro bono hours for the organization. The services are recognized at fair value based on current rates for similar services.

Supplies: The donated goods consist of several miscellaneous items such as laundry detergent, sanitizing wipes, sleeping bags, shoes, gift cards and tickets. The Organization valued the supplies at fair value based on current market rates for similar items.

Interest: The interest consists of imputed interest on its non-interest-bearing loans. The imputed interest rate used was 5%, which was the incremental borrowing rate at the time of the note issuance.

Donated services: The donated services are provided by professionals who assist in helping the organization with advertising and repairs and maintenance. The services are recognized at fair value based on current rates for similar services.