



**SARAH'S CIRCLE AND AFFILIATES
(NONPROFIT ORGANIZATIONS)**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended June 30, 2021 and 2020

The background of the lower half of the cover features a teal horizontal band at the top, followed by a large, abstract graphic of overlapping, semi-transparent geometric shapes in shades of gray and white, creating a sense of depth and complexity. In the bottom right corner, there is a solid orange rectangular box containing the text 'SIKICH.COM' in white, uppercase, sans-serif font.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sarah's Circle and Affiliates (the Organization) (Illinois nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021 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 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 Sarah's Circle's internal control over financial reporting and compliance.

Sikich LLP

Akron, Ohio
September 22, 2021

FINANCIAL STATEMENTS

SARAH'S CIRCLE AND AFFILIATES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,484,503	\$ 19,060,026
Cash, restricted	87,437	85,187
Grants receivable, net	1,191,333	177,043
Investments	8,788,896	2,500,040
Prepaid expenses	15,040	8,190
	<hr/>	<hr/>
Total current assets	16,567,209	21,830,486
NONCURRENT ASSETS		
Land and building	22,700,392	5,755,968
Construction in progress	1,536,597	11,462,868
Leasehold improvements	324,962	324,962
Furniture and equipment	546,680	288,494
	<hr/>	<hr/>
Total noncurrent assets	25,108,631	17,832,292
Less accumulated depreciation and amortization	1,937,375	1,452,181
	<hr/>	<hr/>
Net fixed assets	23,171,256	16,380,111
Deposit	10,874	10,874
	<hr/>	<hr/>
Total noncurrent assets	23,182,130	16,390,985
	<hr/>	<hr/>
TOTAL ASSETS	\$ 39,749,339	\$ 38,221,471

(This statement is continued on the following page.)

SARAH'S CIRCLE AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

June 30, 2021 and 2020

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 165,591	\$ 3,007,653
Notes payable, current portion	-	29,878
Accrued liabilities	158,903	121,518
	<hr/>	
Total current liabilities	324,494	3,159,049
	<hr/>	
LONG-TERM LIABILITIES		
Refundable advance	309,740	293,069
Notes payable, net of current portion	2,627,790	2,914,622
	<hr/>	
Total long-term liabilities	2,937,530	3,207,691
	<hr/>	
Total liabilities	3,262,024	6,366,740
	<hr/>	
NET ASSETS		
Without donor restrictions	30,722,791	9,476,577
With donor restrictions	5,764,524	22,378,154
	<hr/>	
Total net assets	36,487,315	31,854,731
	<hr/>	
TOTAL LIABILITIES AND NET ASSETS	\$ 39,749,339	\$ 38,221,471
	<hr/> <hr/>	

See accompanying notes to consolidated financial statements.

SARAH'S CIRCLE AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,519,421	\$ 360,794	\$ 2,880,215
Grants	4,753,522	-	4,753,522
In-kind donations	320,840	-	320,840
Special events, net	188,693	-	188,693
Program rental income	32,113	-	32,113
Investment income, net	(3,411)	-	(3,411)
Net assets released from restrictions	16,974,424	(16,974,424)	-
Total support and revenue	24,785,602	(16,613,630)	8,171,972
EXPENSES			
Program services			
Interim housing	1,679,681	-	1,679,681
Permanent supportive housing	914,294	-	914,294
Daytime support center	428,147	-	428,147
Clinical services	104,881	-	104,881
Total program services	3,127,003	-	3,127,003
Management and general	177,632	-	177,632
Fundraising	215,321	-	215,321
Total expenses	3,519,956	-	3,519,956
Change in net assets before net appreciation	21,265,646	(16,613,630)	4,652,016
NET DEPRECIATION	(19,432)	-	(19,432)
CHANGE IN NET ASSETS	21,246,214	(16,613,630)	4,632,584
NET ASSETS, BEGINNING OF YEAR	9,476,577	22,378,154	31,854,731
NET ASSETS, END OF YEAR	\$ 30,722,791	\$ 5,764,524	\$ 36,487,315

See accompanying notes to consolidated financial statements.

SARAH'S CIRCLE AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,413,023	\$ 8,526,871	\$ 10,939,894
Grants	1,361,624	-	1,361,624
In-kind donations	729,712	-	729,712
Special events, net	152,612	-	152,612
Program rental income	14,182	-	14,182
Investment income, net	92,315	-	92,315
Net assets released from restrictions	517,724	(517,724)	-
		-	
Total support and revenue	5,281,192	8,009,147	13,290,339
EXPENSES			
Program services			
Interim housing	1,557,189	-	1,557,189
Permanent supportive housing	840,026	-	840,026
Daytime support center	555,152	-	555,152
Clinical services	144,831	-	144,831
Total program services	3,097,198	-	3,097,198
Management and general	198,912	-	198,912
Fundraising	240,595	-	240,595
Total expenses	3,536,705	-	3,536,705
Change in net assets before net appreciation	1,744,487	8,009,147	9,753,634
		-	
NET APPRECIATION	124,480	-	124,480
CHANGE IN NET ASSETS	1,868,967	8,009,147	9,878,114
NET ASSETS, BEGINNING OF YEAR	7,607,610	14,369,007	21,976,617
NET ASSETS, END OF YEAR	\$ 9,476,577	\$ 22,378,154	\$ 31,854,731

See accompanying notes to consolidated financial statements.

SARAH'S CIRCLE AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services				Total Program Services	Management/ General	Fundraising	Direct Benefit To Donors	Total
	Daytime Services	Interim Housing	Permanent Housing	Clinical Services					
FUNCTIONAL EXPENSES									
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 expenses before cost of sales	428,147	1,679,681	914,294	104,881	3,127,003	177,632	215,321	-	3,519,956
COST OF SALES									
Direct benefit to donors									
Meals	-	-	-	-	-	-	-	-	-
Entertainment	-	-	-	-	-	-	-	1,689	1,689
TOTAL EXPENSES	\$ 428,147	\$ 1,679,681	\$ 914,294	\$ 104,881	\$ 3,127,003	\$ 177,632	\$ 215,321	\$ 1,689	\$ 3,521,645

See accompanying notes to consolidated financial statements.

SARAH'S CIRCLE AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services					Management/ General	Fundraising	Direct Benefit To Donors	Total
	Daytime Services	Interim Housing	Permanent Housing	Clinical Services	Total Program Services				
FUNCTIONAL EXPENSES									
Salaries	\$ 235,336	\$ 589,305	\$ 356,096	\$ 61,395	\$ 1,242,132	\$ 84,321	\$ 101,991	\$ -	\$ 1,428,444
Payroll taxes	16,372	40,998	24,774	4,271	86,415	5,866	7,095	-	99,376
Employee benefits	30,760	77,025	46,544	8,025	162,354	11,021	13,331	-	186,706
Total salaries and related expenses	282,468	707,328	427,414	73,691	1,490,901	101,208	122,417	-	1,714,526
Bank fees	2,153	5,391	3,258	562	11,364	771	933	-	13,068
Board and staff expenses	1,433	3,588	2,168	374	7,563	513	621	-	8,697
Client services	17,091	133,421	25,862	4,459	180,833	6,124	7,407	-	194,364
Contractual services	1,847	4,626	2,795	482	9,750	662	801	-	11,213
Depreciation and amortization	32,722	81,938	49,513	8,536	172,709	11,724	14,181	-	198,614
Development	49	124	75	13	261	18	21	-	300
Food supplies	7,524	18,840	11,384	1,963	39,711	2,696	3,261	-	45,668
Insurance	1,813	4,540	2,743	473	9,569	650	786	-	11,005
Interest	24,982	62,558	37,802	6,517	131,859	8,951	10,827	-	151,637
Marketing	3,753	9,399	5,680	979	19,811	1,345	1,627	-	22,783
Postage	840	2,104	1,271	219	4,434	301	364	-	5,099
Printing	2,832	7,092	4,285	739	14,948	1,015	1,227	-	17,190
Professional fees	89,136	223,206	134,876	23,254	470,472	31,938	38,630	-	541,040
Professional fees in-kind	41,873	104,853	63,359	10,924	221,009	15,003	18,147	-	254,159
Rent	-	76,407	-	-	76,407	-	-	-	76,407
Repairs and maintenance	16,961	42,471	25,664	4,425	89,521	6,077	7,351	-	102,949
Supplies	4,818	12,065	7,290	1,257	25,430	1,726	2,088	-	29,244
Supplies in-kind	11,315	28,334	17,121	2,952	59,722	4,054	4,904	-	68,680
Telephone and internet	3,062	7,668	4,634	799	16,163	1,097	1,327	-	18,587
Transportation	1,540	3,856	2,330	402	8,128	552	667	-	9,347
Utilities	6,940	17,380	10,502	1,811	36,633	2,487	3,008	-	42,128
Total expenses before cost of sales	555,152	1,557,189	840,026	144,831	3,097,198	198,912	240,595	-	3,536,705
COST OF SALES									
Direct benefit to donors									
Meals	-	-	-	-	-	-	-	1,118	1,118
Entertainment	-	-	-	-	-	-	-	15,049	15,049
TOTAL EXPENSES	\$ 555,152	\$ 1,557,189	\$ 840,026	\$ 144,831	\$ 3,097,198	\$ 198,912	\$ 240,595	\$ 16,167	\$ 3,552,872

See accompanying notes to consolidated financial statements.

SARAH'S CIRCLE AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,632,584	\$ 9,878,114
Adjustments to reconcile change in net assets to cash from operating activities		
Depreciation and amortization	485,195	198,614
Contributions for long-term investments	(360,794)	(8,526,871)
Appreciation on investments	19,432	(124,480)
Capitalized donated services	-	(476,331)
Changes in certain assets and liabilities		
Grants receivable	(1,014,290)	32,161
Prepaid expenses	(6,850)	4,720
Accounts payable	(2,842,062)	771
Refundable advance received - PPP	309,740	293,069
Recognized refundable advance - PPP	(293,069)	
Accrued liabilities	37,385	33,976
	(3,665,313)	(8,564,371)
Total adjustments		
Net cash from operating activities	967,271	1,313,743
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property	(7,276,340)	(5,671,797)
Proceeds from sale of investments	4,506,333	10,988,050
Payments for purchase of investments	(10,814,621)	(2,375,560)
	(13,584,628)	2,940,693
Net cash from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions for long-term investment	360,794	8,526,871
Principal payments on notes payable debt	(316,710)	(27,808)
	44,084	8,499,063
Net cash from financing activities		
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(12,573,273)	12,753,499
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	19,145,213	6,391,714
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 6,571,940	\$ 19,145,213
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and cash equivalents	\$ 6,484,503	\$ 19,060,026
Restricted cash	87,437	85,187
	\$ 6,571,940	\$ 19,145,213
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 19,569	\$ 20,247
NONCASH INVESTING ACTIVITIES		
Capital additions included in accounts payable	\$ -	\$ 2,943,632
Capitalized donated services	\$ -	\$ 476,331

See accompanying notes to consolidated financial statements.

SARAH'S CIRCLE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

1. NATURE OF ORGANIZATION

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 and Sarah's on Sheridan, LLC (Affiliates) are affiliates of the Organization.

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.

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, funded via CARES funds, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESPrinciples of Consolidation

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

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Organization and changes herein are classified and reported as follows:

Net assets without donor restrictions include general and board-designated net assets of the Organization and are not subject to donor-imposed restrictions. The net assets may be used at the discretion of management to support the Organization's purposes and operations.

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

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

Cash and Cash Equivalents, Restricted Cash, and Cash Equivalents

Cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. 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 \$87,437 and \$85,187 for the years ended June 30, 2021 and 2020, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Cash and Cash Equivalents, Restricted Cash, and Cash Equivalents (Continued)

The Organization maintains certain cash and cash equivalents at one financial institution which, at times, may exceed federally insured limits. At June 30, 2021 and 2020, the bank balance of the deposits exceeded FDIC limits by approximately \$366,000 and \$308,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments and Investment Income

Investments are stated at fair market value in the statement of financial position. Gains and losses (realized and unrealized) on investments are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned. Investment income and gains restricted by a donor are reported as increases in without donor restricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statement of financial position and the statement of activities.

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. Investment Income is report net of external and direct internal investment expenses, if any.

Grants Receivable

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

Allowance for Doubtful Accounts

Grants receivable 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, 2021 and 2020, respectively; however, actual write-offs may occur.

SARAH'S CIRCLE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost or if donated, at fair value at the date of donation. All expenditures for property and equipment in excess of \$2,500 are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation is computed on the straight-line method over various useful lives:

	<u>Years</u>
Buildings	39
Leasehold improvements	Shorter of useful life or lease term
Furniture and equipment	3-8

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 is \$485,195 and \$198,614, respectively. The \$1,536,597 and \$11,462,868 shown on the statement of financial position as construction in progress at June 30, 2021 and 2020, respectively, is for this project. Commitments remaining under the contract at June 30, 2021 total approximately \$11,762,000.

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. The loan balance at June 30, 2021 is forgivable over an established period of time as long as the funds are used for eligible purposes. The Organization believes that the loan will be forgiven and therefore is accounted for as a conditional contribution. The refundable advance will be reduced, and the contribution will be recognized as revenue once the relating conditions are substantially met or explicitly waived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Revenue Recognition

Effective July 1, 2019, the Organization has adopted ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. Results for reporting the years ending June 30, 2021 and 2020 are presented under ASU No. 2018-08.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, 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.

A portion of the Organization's grant revenue is derived from cost-reimbursable federal, state and other grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable grant advances in the statement of financial position. As of June 30, 2021 the Organization did not have any refundable grant advances.

As of June 30, 2021, the Agency had conditional grant awards of \$1,264,000. These awards are conditional upon incurring allowable expenditures under the grants.

Grant revenue is classified as income without donor restrictions unless the use of the income is limited by donor restrictions. If a restriction is fulfilled in the same time period in which the grant is received, the grant revenue is reported as net assets without donor restriction.

SARAH'S CIRCLE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Donations

In-kind contributions of materials used in the Organization's programs are recorded as income and expense at the estimated fair value at the time of donation. In addition, in-kind contributions of property and equipment are recorded as income and increases of property and equipment at the estimated fair value at the time of donation. The Organization received donated goods valued at \$52,430 and \$68,680 at June 30, 2021 and 2020, respectively, which is included in in-kind donations revenue and supplies expense in the statement of activities. The Organization received donated fixed assets valued at \$100,990 and \$476,331 at June 30, 2020 which is included in in-kind donations revenue on the statement of activities and construction in progress on the statement of financial position. There were no donated fixed assets in 2021.

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills which would need to be purchased if they are not donated. The Organization received a variety of donated services including advertising and repairs and maintenance. The Organization received donated services of \$36,030 and \$254,159 at June 30, 2021 and 2020, respectively, which is included in in-kind donations revenue and related expenses in the statement of activities.

Additionally, the Organization recognizes as income and expense the 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 issuances. The Organization recognized \$131,390 at June 30, 2021 and 2020, respectively, of imputed interest, which is included in in-kind donations revenue and interest expense on the statement of activities.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office, and occupancy, 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 is exempt from federal and state income taxes under the Internal Revenue Code Section 501(c)(3), and similar provisions of the state income tax code as other than a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)New Accounting Standards

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets, to increase the transparency of contributed nonfinancial assets for non-for-profit entities through enhancements to presentation and disclosure. The new guidance requires contributed nonfinancial assets be presented as a separate line item in the statements of activities, a disclosure with the disaggregation of the amount of contributed nonfinancial assets by category as well as certain qualitative information. ASU No. 2020-07 is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently assessing the impact of this new standard.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2019-10, is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization is currently assessing the impact of this new standard, including the two optional transition methods. On June 3, 2020, FASB issues ASU No. 2020-05, *Revenue from contract with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities* which moved the effective date of this standard back to fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022.

COVID Uncertainty

During March 2020, the COVID-19 virus was declared a global pandemic and it continues to spread rapidly. Business continuity across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time, believing it reasonably possible that operations will be negatively impacted. No adjustments have been made to these consolidated financial statements as a result of this uncertainty.

SARAH'S CIRCLE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through September 22, 2021, the date the financial statements were available to be issued, and determined that there were no significant non-recognized subsequent events through that date.

3. LIQUIDITY AND AVAILABILITY

The Organization receives contributions and promises to give with donor restrictions to be used in accordance with the associated purpose or time restriction.

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 year. Annual operations are defined as activities occurring during the Organization's fiscal year.

The Organization manages its cash available to meet general expenditures with the following guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 6,484,503	\$ 19,060,026
Cash, restricted	87,437	85,187
Grants receivable, net	1,191,333	177,043
Investment	8,788,896	2,500,040
	<hr/>	<hr/>
Total financial assets available within one year	16,552,169	21,822,296
Less donor-imposed restrictions		
Purpose restrictions – housing case manager	-	(30,000)
Purpose restrictions - buildings	(5,764,525)	(22,348,154)
Construction in progress amounts expended	1,536,597	6,593,378
Less board-designated reserves	(1,850,000)	(1,470,000)
	<hr/>	<hr/>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL USE WITHIN ONE YEAR	\$ 10,474,241	\$ 4,567,520
	<hr/>	<hr/>

3. LIQUIDITY AND AVAILABILITY (Continued)

The Organization has board-designated reserves, of which \$1,850,000 at June 30, 2021 is designated for general operations. The reserve is considered a liquid resource as the Board has ability to approve disbursements from the reserve to cover operating shortfalls.

4. FAIR VALUE MEASUREMENTSFair Value Measurements

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair values. USGAAP requires the Organization to maximize the use of observable inputs when measuring fair value.

The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded on the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2, or 3, but are separately reported.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2021 and 2020.

Mutual funds: Valued at the NAV of shares on the last trading day of the year.

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

SARAH'S CIRCLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2021 are as follows:

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 8,788,896	\$ -	\$ -	\$ 8,788,896
TOTAL INVESTMENTS				<u>\$ 8,788,896</u>

Assets measured at fair value on a recurring basis as of June 30, 2020 are as follows:

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. government obligations	\$ -	\$ 2,500,040	\$ -	\$ 2,500,040
TOTAL INVESTMENTS				<u>\$ 2,500,040</u>

5. LEASE COMMITMENTS

The Organization leases its interim housing facility on an annual basis. Total rent expense for the years ended June 30, 2021 and 2020 is \$75,557 and \$76,407, respectively.

Future minimum rental payments under the terms of the lease are as follows:

<u>For the Year Ending</u>	<u>Amount</u>
2022	<u>\$ 39,350</u>
TOTAL	<u>\$ 39,350</u>

SARAH'S CIRCLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. NOTES PAYABLE

Notes payable at June 30, 2021 consist of the following:

	<u>2021</u>	<u>2020</u>
\$1,400,000 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
\$1,227,790 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
\$475,000 note payable to Village Bank & Trust dated August 2012. Payable in 192 monthly installments of \$4,008, inclusive of interest at 6%. Secured by real property.	-	316,710
Total debt	2,627,790	2,944,500
Less current portion	-	(29,878)
TOTAL LONG-TERM NOTES PAYABLE	<u>\$ 2,627,790</u>	<u>\$ 2,914,622</u>

Future maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2044	\$ 2,627,790

SARAH'S CIRCLE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are restricted for the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Building - 1005 W. Leland	\$ -	\$ 15,967,007
Future building projects	5,764,525	6,381,147
Housing Case Manager	-	30,000
	<u>5,764,525</u>	<u>22,378,154</u>
TOTAL DONOR RESTRICTED ASSETS	\$ 5,764,525	\$ 22,378,154

Net assets were released from temporary donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Tax credit contribution fees – 1005 W. Leland	\$ -	\$ 517,724
Case Managers	30,000	-
1005 W. Leland placed in service	16,944,424	-
	<u>16,974,424</u>	<u>517,724</u>
TOTAL RESTRICTIONS RELEASED	\$ 16,974,424	\$ 517,724

8. RETIREMENT PLAN

The Organization sponsors a 401(k) plan for certain employees. The plan provides for the Organization to make a required matching contribution. During the years ended June 30, 2021 and 2020, the Organization made contributions of \$64,037 and \$52,560, respectively.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying consolidated financial statements of Sarah's Circle and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 22, 2021.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sarah's Circle and Affiliates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sarah's Circle and Affiliates' internal control over financial reporting.

A deficiency in internal control over financial reporting 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 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sarah's Circle and Affiliates 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*.

Purpose of this Report

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

Sikich LLP

Akron, Ohio
September 22, 2021