

**EIN #: 36-3043662
DUNS #: 164282113**

**SARAH'S CIRCLE
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

**REPORTS REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL
REGULATIONS PART 200, *UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT
REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)*
AND *GOVERNMENT AUDITING STANDARDS*
FOR THE YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sarah's Circle

We have audited the accompanying financial statements of Sarah's Circle (an Illinois not-for-profit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sarah's Circle as of June 30, 2017 and 2016, 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 December 12, 2017 on our consideration of Sarah's Circle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Circle's internal control over financial reporting and compliance.

Knuttle & Associates, P.C.

**SARAH'S CIRCLE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 3,300,265	\$ 2,446,751
Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	182,851	89,698
Gift Cards	15,585	11,415
Prepaid Expenses	0	18,946
Building Escrow	88,667	91,755
TOTAL CURRENT ASSETS	3,587,368	2,658,565
FIXED ASSETS		
Land and Building	5,732,083	5,732,083
Leasehold Improvements	386,538	383,948
Furniture and Fixtures	215,430	204,566
	6,334,051	6,320,597
Less -- Accumulated Depreciation and Amortization	949,380	774,428
TOTAL FIXED ASSETS	5,384,671	5,546,169
OTHER ASSETS		
Security Deposit	10,874	10,874
TOTAL OTHER ASSETS	10,874	10,874
 TOTAL ASSETS	 \$ 8,982,913	 \$ 8,215,608

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts Payable	\$ 69,317	\$ 21,022
Accrued Liabilities	36,214	35,345
Notes Payable	40,935	38,557
Accrued Vacation	22,306	15,962
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	168,772	110,886
	<hr/>	<hr/>
LONG-TERM LIABILITIES		
Notes Payable	3,123,686	3,164,329
	<hr/>	<hr/>
TOTAL LONG-TERM LIABILITIES	3,123,686	3,164,329
	<hr/>	<hr/>
TOTAL LIABILITIES	3,292,458	3,275,215
	<hr/>	<hr/>
NET ASSETS		
Unrestricted		
Non-Board Designated	4,414,108	3,957,554
Board Designated	1,150,000	925,000
Total Unrestricted	<hr/> 5,564,108	<hr/> 4,882,554
Temporarily Restricted	126,347	57,839
	<hr/>	<hr/>
TOTAL NET ASSETS	5,690,455	4,940,393
	<hr/>	<hr/>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,982,913</u>	 <u>\$ 8,215,608</u>

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Grants and Contributions	\$ 2,384,728	\$ 182,500	\$ 0	\$ 2,567,228
In-Kind Donations	517,359	0	0	517,359
Special Events (Net of Cost of Direct Benefit to Donors of \$11,857)	97,045	0	0	97,045
Program Rental Income	30,191	0	0	30,191
Interest Income	3,395	0	0	3,395
Net Assets Released from Restrictions	113,992	(113,992)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>3,146,710</u>	<u>68,508</u>	<u>0</u>	<u>3,215,218</u>
FUNCTIONAL EXPENSES				
Program Services				
Interim Housing	1,071,293	0	0	1,071,293
Permanent Supportive Housing	430,454	0	0	430,454
Daytime Support Center	479,830	0	0	479,830
Clinical Services	150,885	0	0	150,885
Total Program Services	2,132,462	0	0	2,132,462
Management and General	145,263	0	0	145,263
Fundraising	187,431	0	0	187,431
TOTAL FUNCTIONAL EXPENSES	<u>2,465,156</u>	<u>0</u>	<u>0</u>	<u>2,465,156</u>
CHANGE IN NET ASSETS	681,554	68,508	0	750,062
NET ASSETS,				
BEGINNING OF YEAR	<u>4,882,554</u>	<u>57,839</u>	<u>0</u>	<u>4,940,393</u>
END OF YEAR	<u>\$ 5,564,108</u>	<u>\$ 126,347</u>	<u>\$ 0</u>	<u>\$ 5,690,455</u>

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Grants and Contributions	\$ 1,888,920	\$ 80,000	\$ 0	\$ 1,968,920
In-Kind Donations	305,712	0	0	305,712
Special Events (Net of Cost of Direct Benefit to Donors of \$7,206)	75,711	0	0	75,711
Program Rental Income	35,569	0	0	35,569
Interest Income	1,875	0	0	1,875
Net Assets Released from Restrictions	127,686	(127,686)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>2,435,473</u>	<u>(47,686)</u>	<u>0</u>	<u>2,387,787</u>
FUNCTIONAL EXPENSES				
Program Services				
Interim Housing	976,061	0	0	976,061
Permanent Supportive Housing	245,987	0	0	245,987
Daytime Support Center	370,618	0	0	370,618
Clinical Services	155,640	0	0	155,640
Total Program Services	1,748,306	0	0	1,748,306
Management and General	121,259	0	0	121,259
Fundraising	129,307	0	0	129,307
TOTAL FUNCTIONAL EXPENSES	<u>1,998,872</u>	<u>0</u>	<u>0</u>	<u>1,998,872</u>
CHANGE IN NET ASSETS	436,601	(47,686)	0	388,915
NET ASSETS,				
BEGINNING OF YEAR	<u>4,445,953</u>	<u>105,525</u>	<u>0</u>	<u>4,551,478</u>
END OF YEAR	<u>\$ 4,882,554</u>	<u>\$ 57,839</u>	<u>\$ 0</u>	<u>\$ 4,940,393</u>

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Bank Fees	\$ 1,749	\$ 129	\$ 166	\$ 2,044
Board and Staff Expenses	14,281	1,052	1,356	16,689
Client Services	170,623	6,397	8,255	185,275
Contractual Services	21,835	1,607	2,074	25,516
Depreciation and Amortization	149,715	11,019	14,218	174,952
Development	1,806	133	171	2,110
Employee Benefits	113,640	8,364	10,792	132,796
Food Supplies	7,935	584	754	9,273
Insurance	9,074	668	862	10,604
Interest	141,156	10,389	13,405	164,950
Marketing	4,372	322	415	5,109
Payroll Taxes	61,553	4,530	5,845	71,928
Postage	2,933	216	279	3,428
Printing	11,163	821	1,060	13,044
Professional Fees	13,569	999	1,288	15,856
Professional Fees: In-Kind	265,400	19,533	25,205	310,138
Rent	75,085	0	0	75,085
Repairs and Maintenance	67,445	4,964	6,405	78,814
Salaries	828,186	60,955	78,649	967,790
Supplies	45,664	3,361	4,335	53,360
Supplies: In-Kind	64,893	4,776	6,163	75,832
Telephone and Internet	13,240	974	1,257	15,471
Transportation	14,090	1,037	1,338	16,465
Utilities	33,055	2,433	3,139	38,627
TOTAL FUNCTIONAL EXPENSES	\$ 2,132,462	\$ 145,263	\$ 187,431	\$ 2,465,156

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Bank Fees	\$ 3,624	\$ 276	\$ 294	\$ 4,194
Board and Staff Expenses	12,380	944	1,007	14,331
Client Services	117,155	2,661	2,837	122,653
Contractual Services	81,248	6,196	6,608	94,052
Depreciation and Amortization	150,668	11,491	12,254	174,413
Development	445	34	36	515
Employee Benefits	98,401	7,505	8,003	113,909
Food Supplies	31,526	2,404	2,564	36,494
Insurance	13,617	1,039	1,107	15,763
Interest	145,223	11,075	11,811	168,109
Marketing	2,111	161	172	2,444
Payroll Taxes	47,611	3,631	3,872	55,114
Postage	5,023	386	407	5,816
Printing	7,839	597	638	9,074
Professional Fees	10,452	797	850	12,099
Professional Fees: In-Kind	96,742	7,378	7,868	111,988
Rent	76,080	0	0	76,080
Repairs and Maintenance	45,360	3,459	3,689	52,508
Salaries	668,316	50,970	54,353	773,639
Supplies	27,801	2,120	2,261	32,182
Supplies: In-Kind	53,850	4,106	4,379	62,335
Telephone and Internet	14,896	1,136	1,211	17,243
Transportation	8,417	642	685	9,744
Utilities	29,521	2,251	2,401	34,173
TOTAL FUNCTIONAL EXPENSES	\$ 1,748,306	\$ 121,259	\$ 129,307	\$ 1,998,872

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Donors and Patrons	\$ 2,613,168	\$ 2,138,179
Interest Received	3,395	1,875
Paid to Suppliers and Staff	(1,680,857)	(1,483,251)
Interest Paid	(33,561)	(36,720)
Income Taxes Paid	0	0
	902,145	620,083
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the Purchase of Fixed Assets	(13,454)	(15,008)
Change in Deposits into Building Escrow	3,088	8,736
	(10,366)	(6,272)
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(38,265)	(35,957)
	(38,265)	(35,957)
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	853,514	577,854
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,446,751	1,868,897
END OF YEAR	\$ 3,300,265	\$ 2,446,751
NON-CASH OPERATING ACTIVITIES		
Donated Services	\$ 310,138	\$ 111,988
Imputed Interest	131,389	131,389
Donated Materials	75,832	62,335
	\$ 517,359	\$ 305,712

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 750,062</u>	<u>\$ 388,915</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	174,952	174,413
Changes in Certain Assets and Liabilities:		
Grants Receivable	(93,153)	50,773
Gift Cards	(4,170)	(11,415)
Prepaid Expenses	18,946	(12,886)
Accounts Payable	48,295	8,652
Accrued Liabilities	869	18,605
Accrued Vacation	<u>6,344</u>	<u>3,026</u>
Total Adjustments	<u>152,083</u>	<u>231,168</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 902,145</u></u>	<u><u>\$ 620,083</u></u>

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sarah's Circle (the "Organization") is an Illinois not-for-profit corporation that was established in 1979 and operates in Chicago, Illinois. The Organization's mission is to provide a refuge for women who are homeless or in need of a safe space. This mission is carried out by providing housing assistance, case management, referral services, life necessities and shelter, and encouraging women to empower themselves by rebuilding both emotionally and physically, realizing their unique potential. This is achieved through the following programs:

Interim Housing - Every day the Interim Housing Program provides comprehensive services including shelter and 24 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 - Sarah's Circle 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.

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 to address trauma, domestic violence, mental illness, and other personal challenges are also provided at the Daytime Support Center. 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.

SARAH'S CIRCLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) Method of Accounting

The Organization's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are recorded when incurred.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting.

B) Cash and Cash Equivalents

For purposes of reporting cash flows, 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. Investments with an original maturity of three months or less are considered short-term for these purposes.

The Organization has deposits at a financial institution in excess of federally insured limited of approximately \$0 and \$51,000 at June 30, 2017 and 2016, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

C) Allowance for Doubtful Accounts

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. The allowance for doubtful accounts for grants receivable is \$0 at June 30, 2017 and 2016, respectively.

SARAH'S CIRCLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Fixed Assets

Fixed assets are recorded at cost when purchased. Capitalized donated services and materials are recorded at their estimated fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. The Organization capitalizes capital expenditures above \$1,000. Depreciation and amortization is computed on the straight-line method over various useful lives. Depreciation and amortization expense is \$174,952 and \$174,413 for the years ended June 30, 2017 and 2016, respectively.

E) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

F) Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, a provision for income taxes has not been made on the financial statements. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for tax years 2013 and prior.

**SARAH'S CIRCLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 2 - GRANTS RECEIVABLE

Grants receivable are deemed to be fully collectible by management and are composed of the following amounts due at June 30, 2017 and 2016:

	2017	2016
City of Chicago	\$ 7,760	\$ 0
Department of Family and Support Services	88,453	89,698
U.S. Department of Housing and Urban Development	86,638	0
	<u>\$ 182,851</u>	<u>\$ 89,698</u>

NOTE 3 - BUILDING ESCROW

In June 2010, the Organization entered into a Purchase Sale Agreement with Chinese Mutual Aid Association, Inc., for the acquisition of the property located at 4836 N. Sheridan Road, Chicago, Illinois. The Organization purchased the building on August 23, 2012 for \$930,000.

As of June 30, 2017 and 2016, as part of the closing agreement, funds are being held in escrow at the Illinois Housing Development Authority in the amount of \$88,667 and \$91,755, respectively.

NOTE 4 - NOTES PAYABLE

The Organization has the following notes payable at June 30, 2017 and 2016:

	2017	2016
Note Payable dated August 23, 2012 with an original balance of \$208,000 to Chinese Mutual Aid Association, Inc. payable in 147 monthly payments of \$2,001 inclusive of interest at 6%, matures on November 23, 2024 and is unsecured.	\$ 141,412	\$ 156,452
Note Payable dated August 23, 2012 with an original balance of \$1,227,790 to the City of Chicago with no interest and no monthly payments, final balloon payment due August 23, 2044. Secured by the building. Interest is imputed at 5%.	1,227,790	1,227,790
Subtotal Forward	<u>\$ 1,369,202</u>	<u>\$ 1,384,242</u>

**SARAH'S CIRCLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2017**

NOTE 4 - NOTES PAYABLE (CONTINUED)

	2017	2016
Subtotal Forwarded	\$ 1,369,202	\$ 1,384,242
Note payable dated August 23, 2012 for \$1,400,000 to the Illinois Housing Development Authority with no interest and no monthly payments. Note is forgivable on December 31, 2043 if all provisions are met. Secured by the building. Interest is imputed at 5%.	1,400,000	1,400,000
Village Bank & Trust note payable dated August 23, 2012 with an original balance of \$475,000 with monthly payments of \$4,008 at 6% interest until August 23, 2028 and is secured by the building.	395,419	418,644
Total Debt	3,164,621	3,202,886
Less: Current Portion	40,935	38,557
Total Long-Term Debt	<u>\$ 3,123,686</u>	<u>\$ 3,164,329</u>

Future maturities of long-term debt are as follows:

For the Year Ended June 30, 2019	\$ 43,459
2020	46,140
2021	48,986
2022	52,007
2023	55,215
Thereafter	2,877,879
	<u>\$ 3,123,686</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	2017	2016
Art Therapy Program	\$ 93,847	\$ 47,607
Housing Case Manager	32,500	0
Asset Manager Position	0	10,232
Total Temporarily Restricted Net Assets	<u>\$ 126,347</u>	<u>\$ 57,839</u>

**SARAH'S CIRCLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended June 30, 2017 and 2016:

Purpose Restriction Accomplished:	2017	2016
Art Therapy Program	\$ 53,760	\$ 46,101
One In Four Program	50,000	0
Asset Manager Position	10,232	19,768
Director of Operations/Program		
Director Position	0	48,642
Part-Time Case Manager Position	0	13,175
Total Restrictions Released	<u>\$ 113,992</u>	<u>\$ 127,686</u>

NOTE 6 - BOARD DESIGNATED NET ASSETS

Sarah's Circle's Board of Directors has instituted a policy of maintaining 6 months operating reserves. The Board determined the need for sufficient reserves to maintain fiscal operating strength, and these funds are to be used only with Board approval. The Board had a projected time line of 5 years to establish the reserves starting in 2013. At June 30, 2016, the agency has established 100% of the required reserves. Board designated net assets amount to \$1,150,000 and \$925,000, respectively for the years ended June 30, 2017 and 2016, respectively.

NOTE 7 - IN-KIND DONATIONS

Donated materials are recognized as revenues at their estimated fair value on the date of donation. 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 were not donated. The Organization received donated professional services for its programs valued at \$310,138 and \$111,988 and donated materials valued at \$75,832 and \$62,335 during the years ended June 30, 2017 and 2016, respectively. These amounts are included within in-kind donations revenue and allocated across the functional expense categories on the statements of activities. The Organization also receives donated services from a variety of unpaid volunteers assisting the Organization in its programs. No amounts have been recognized for these services in the accompanying statements of activities because the criteria for recognition of such volunteer effort have not been satisfied.

SARAH'S CIRCLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 7 - IN-KIND DONATIONS (CONTINUED)

Additionally, the Organization recognizes as income and expense the imputed interest on its non-interest bearing loans. The imputed interest rate used was five percent which was the incremental borrowing rate at the time of the note issuances. The amounts included in the statements of activities as donations revenue and program services expense for the years ended June 30, 2017 and 2016 are \$131,389.

NOTE 8 - LEASE COMMITMENTS

The Organization leased its interim housing facility at 4750 N. Sheridan Road on a year-long lease ended June 30, 2014 for \$5,000 per month. The Organization exercised the second of two renewal options during the year ended June 30, 2015 extending the lease through July 31, 2017 and the terms were amended to increase the monthly rent payments to \$6,260. Rent expense is \$75,085 and \$76,080 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9 - 401(K) RETIREMENT PLAN

The Organization has a 401(k) plan which covers employees who have a minimum of 90 days of service. Prior to January 2017 the Organization matched up to 3% of eligible employees' eligible compensation. As of January 2017 the Organization matches up to 5%. The Organization's contribution to the plan is \$19,051 and \$9,177 for the years ended June 30, 2017 and 2016, respectively.

NOTE 10 - CONCENTRATIONS OF RISK

The Organization receives approximately 44% of its funding from public sources. At June 30, 2017 and 2016 approximately 75% and 72% of all public grants received are from federal sources, respectively, 25% and 28% from city sources, respectively, and 0% from state sources, respectively. Thus, its funding is vulnerable to changes in the legislative priorities of the city, state and federal governments. The Organization's management does not expect that the support from these government agencies will be lost in the near term.

NOTE 11 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2017, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is December 12, 2012 the date on which the financial statements were available to be issued.



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

To the Board of Directors
Sarah's Circle

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 financial statements of Sarah's Circle, which comprise the statements of position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits 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 Circle's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 Sarah Circle'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.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kuntle & Associates, P.C.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Sarah's Circle

Report on Compliance for Each Major Federal Program

We have audited Sarah's Circle's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. Sarah's Circle's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sarah's Circle's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sarah's Circle's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Sarah's Circle's compliance.

Opinion on Each Major Federal Program

In our opinion, Sarah's Circle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Sarah's Circle is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sarah's Circle's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sarah's Circle's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Sarah's Circle as of and for the year ended June 30, 2017, and have issued our report thereon dated December 12, 2017 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally acceptable in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Knuttle & Associates, P.C.

**SARAH'S CIRCLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass Through Grantor/Program</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
*Continuum of Care Program - Case Management and Rental of Space	IL0104L5T101508	14.267	\$ 60,515
*Continuum of Care Program - Case Management and Rental of Space	IL0104L5T101609	14.267	30,153
*Continuum of Care Program - Low Income Housing Trust Fund - Chronic Homelessness	IL0398L5T101406	14.267	16,450
*Continuum of Care Program - Low Income Housing Trust Fund - Chronic Homelessness	IL0398L5T101507	14.267	95,310
*Continuum of Care Program - Permanent Housing	IL0426L5T101401	14.267	20,205
*Continuum of Care Program - Permanent Housing	IL0148L5T101502	14.267	105,007
*Continuum of Care Program - Shelter Plus Care	IL0426L5T101601	14.267	58,551
Passed through the City of Chicago Department of Family and Support Services			
*Continuum of Care Program - Shelter Plus Care	PO-42482	14.267	102,590
Total 14.267			<u>488,781</u>
CDBG - Entitlement Grants Cluster			
Community Development Block Grant (CDBG)	PO-31203	14.218	141,332
Community Development Block Grant (CDBG)	PO-31367	14.218	127,679
Total CDBG - Entitlement Grants Cluster			<u>269,011</u>
Total passed through the City of Chicago Department of Family and Support Services			<u>371,601</u>
Passed through the City of Chicago			
Community Housing and Development	PO-40901	14.239	73,680
Total passed through the City of Chicago			<u>73,680</u>
Passed Through Enterprise Community Partners, Inc.			
Capacity Building for Community Development and Affordable Housing Grants	15SG0194	14.252	31,050
Total passed through Enterprise Community Partners, Inc.			<u>31,050</u>
Total U.S. Department of Housing and Urban Development			<u>862,522</u>

**SARAH'S CIRCLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass Through Grantor/Program	Contract Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed through United Way of Metropolitan Chicago			
Emergency Food and Shelter Program	LRO ID: 237800-061	97.024	15,895
Total Passed through United Way of Metropolitan Chicago			15,895
Total U.S. Department of Homeland Security			15,895
Total Expenditures of Federal Awards			\$ 878,417

* Program was audited as a major program as defined by the Uniform Guidance.

SARAH'S CIRCLE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Sarah's Circle (the "Organization") under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sarah's Circle, it is not intended to and does not present the financial position, change in net assets, or cash flows of Sarah's Circle.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Sarah's Circle has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - SUB-RECIPIENTS

During the year June 30, 2017, Sarah's Circle did not pass-through any federal award funds to sub-recipients.

NOTE 4 - NON-CASH ASSISTANCE

Sarah's Circle did not expend any federal awards in the form of non-cash assistance.

NOTE 5 - LOAN GUARANTEES

Sarah's Circle had no loan guarantees in effect during the year ended June 30, 2017.

NOTE 6 - FEDERALLY FUNDED INSURANCE

Sarah's Circle had no non-cash, federally-funded insurance in effect during the year ended June 30, 2017.

**SARAH'S CIRCLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes X No
 Significant deficiencies identified? Yes X None Reported
 Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control over major federal programs:

Material weaknesses identified? Yes X No
 Significant deficiencies identified? Yes X None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

14.267 Continuum of Care

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

Auditee qualified as low-risk auditee? Yes X No

**SARAH'S CIRCLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

**SARAH'S CIRCLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

I. Financial Statement Findings

None

II. Federal Award Findings and Questioned Costs

None