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**SARAH'S CIRCLE  
REPORT ON THE AUDIT  
OF THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2018 AND 2017**

**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, 2018**

**SARAH'S CIRCLE**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sarah's Circle

### Report on the Financial Statements

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, 2018 and 2017, 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, 2018 and 2017, 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 October 31, 2018 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's Circle's internal control over financial reporting and compliance.

*Kuntle & Associates, P.C.*

**SARAH'S CIRCLE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

**ASSETS**

	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 5,869,691	\$ 2,264,582
Investments - Other	12,158,638	1,035,683
Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	112,342	182,851
Gift Cards	18,685	15,585
Prepaid Expenses	19,659	0
Building Escrow	87,763	88,667
<b>TOTAL CURRENT ASSETS</b>	<b>18,266,778</b>	<b>3,587,368</b>
<b>FIXED ASSETS</b>		
Land and Building	6,099,935	5,732,083
Leasehold Improvements	274,168	386,538
Furniture and Fixtures	221,915	215,430
	6,596,018	6,334,051
Less -- Accumulated Depreciation and Amortization	1,076,816	949,380
<b>TOTAL FIXED ASSETS</b>	<b>5,519,202</b>	<b>5,384,671</b>
<b>OTHER ASSETS</b>		
Security Deposit	10,874	10,874
<b>TOTAL OTHER ASSETS</b>	<b>10,874</b>	<b>10,874</b>
 <b>TOTAL ASSETS</b>	 <b>\$23,796,854</b>	 <b>\$ 8,982,913</b>

## LIABILITIES AND NET ASSETS

	2018	2017
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 245,123	\$ 69,317
Accrued Liabilities	42,031	36,214
Notes Payable	26,507	40,935
Accrued Vacation	21,764	22,306
<b>TOTAL CURRENT LIABILITIES</b>	<u>335,425</u>	<u>168,772</u>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable	<u>2,972,023</u>	<u>3,123,686</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>2,972,023</u>	<u>3,123,686</u>
<b>TOTAL LIABILITIES</b>	<u>3,307,448</u>	<u>3,292,458</u>
<b>NET ASSETS</b>		
Unrestricted		
Non-Board Designated	5,151,386	4,414,108
Board Designated	1,270,000	1,150,000
Total Unrestricted	<u>6,421,386</u>	<u>5,564,108</u>
Temporarily Restricted	<u>14,068,020</u>	<u>126,347</u>
<b>TOTAL NET ASSETS</b>	<u>20,489,406</u>	<u>5,690,455</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$23,796,854</u></u>	 <u><u>\$ 8,982,913</u></u>

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>PUBLIC SUPPORT AND REVENUES</b>				
Grants and Contributions	\$ 2,577,491	\$ 14,296,000	\$ 0	\$ 16,873,491
In-Kind Donations	522,344	0	0	522,344
Special Events (Net of Cost of Direct Benefit to Donors of \$11,838)	107,942	0	0	107,942
Program Rental Income	34,810	0	0	34,810
Interest Income	5,845	0	0	5,845
Net Assets Released from Restrictions	354,327	(354,327)	0	0
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>3,602,759</u>	<u>13,941,673</u>	<u>0</u>	<u>17,544,432</u>
<b>EXPENSES AND LOSSES</b>				
Functional Expenses				
Program Services				
Interim Housing	1,065,221	0	0	1,065,221
Permanent Supportive Housing	545,727	0	0	545,727
Daytime Support Center	558,697	0	0	558,697
Clinical Services	148,359	0	0	148,359
Total Program Services	2,318,004	0	0	2,318,004
Management and General	151,177	0	0	151,177
Fundraising	193,431	0	0	193,431
Total Functional Expenses	2,662,612	0	0	2,662,612
Loss on Disposal of Assets	82,869	0	0	82,869
<b>TOTAL EXPENSES AND LOSSES</b>	<u>2,745,481</u>	<u>0</u>	<u>0</u>	<u>2,745,481</u>
<b>CHANGE IN NET ASSETS</b>	857,278	13,941,673	0	14,798,951
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<u>5,564,108</u>	<u>126,347</u>	<u>0</u>	<u>5,690,455</u>
<b>END OF YEAR</b>	<u>\$ 6,421,386</u>	<u>\$ 14,068,020</u>	<u>\$ 0</u>	<u>\$ 20,489,406</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
<b>PUBLIC SUPPORT AND REVENUES</b>				
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
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>3,146,710</u>	<u>68,508</u>	<u>0</u>	<u>3,215,218</u>
<b>FUNCTIONAL EXPENSES</b>				
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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>2,465,156</u>	<u>0</u>	<u>0</u>	<u>2,465,156</u>
<b>CHANGE IN NET ASSETS</b>	681,554	68,508	0	750,062
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<u>4,882,554</u>	<u>57,839</u>	<u>0</u>	<u>4,940,393</u>
<b>END OF YEAR</b>	<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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
<b>FUNCTIONAL EXPENSES</b>				
Bank Fees	\$ 143,974	\$ 10,474	\$ 13,402	\$ 167,850
Board and Staff Expenses	11,448	833	1,066	13,347
Client Services	208,874	3,297	4,218	216,389
Contractual Services	44,005	3,201	4,096	51,302
Depreciation and Amortization	152,216	11,074	14,169	177,459
Development	665	48	62	775
Employee Benefits	111,627	8,121	10,391	130,139
Food Supplies	45,909	3,340	4,274	53,523
Insurance	7,585	552	706	8,843
Interest	136,042	9,897	12,664	158,603
Marketing	8,048	585	749	9,382
Payroll Taxes	66,041	4,805	6,148	76,994
Postage	4,567	332	425	5,324
Printing	13,384	974	1,246	15,604
Professional Fees	16,971	1,235	1,580	19,786
Professional Fees: In-Kind	54,458	3,962	5,069	63,489
Rent	76,466	0	0	76,466
Repairs and Maintenance	88,674	6,451	8,254	103,379
Salaries	907,713	66,038	84,496	1,058,247
Supplies	13,958	1,016	1,298	16,272
Supplies: In-Kind	142,285	10,352	13,245	165,882
Telephone and Internet	14,875	1,082	1,385	17,342
Transportation	13,121	955	1,221	15,297
Utilities	35,098	2,553	3,267	40,918
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,318,004</b>	<b>\$ 151,177</b>	<b>\$ 193,431</b>	<b>\$ 2,662,612</b>

See the Accompanying Notes to the Financial Statements.

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

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
<b>FUNCTIONAL EXPENSES</b>				
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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,132,462</b>	<b>\$ 145,263</b>	<b>\$ 187,431</b>	<b>\$ 2,465,156</b>

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Donors and Patrons	\$17,087,167	\$ 2,613,168
Interest Received	5,845	3,395
Paid to Suppliers and Staff	(1,939,272)	(1,680,857)
Interest Paid	(27,214)	(33,561)
Income Taxes Paid	0	0
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	15,126,526	902,145
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the Purchase of Fixed Assets	(233,275)	(13,454)
Change in Deposits into Building Escrow	904	3,088
Payments for the Purchase of Investments - Other	(12,158,638)	(1,035,683)
Proceeds from the Redemption of Investments - Other	1,035,683	809,389
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(11,355,326)	(236,660)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Notes Payable	(166,091)	(38,265)
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(166,091)	(38,265)
	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,605,109	627,220
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,264,582	1,637,362
<b>END OF YEAR</b>	<u>\$ 5,869,691</u>	<u>\$ 2,264,582</u>
<b>NON-CASH OPERATING ACTIVITIES</b>		
Donated Services	\$ 63,489	\$ 310,138
Imputed Interest	131,389	131,389
Donated Materials	165,882	75,832
	<hr/>	<hr/>
	<u>\$ 360,760</u>	<u>\$ 517,359</u>
<b>NON-CASH INVESTING ACTIVITIES</b>		
Capitalized Donated Services	<u>\$ 161,584</u>	<u>\$ 0</u>

See the Accompanying Notes to the Financial Statements.

**SARAH'S CIRCLE  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 14,798,951</u>	<u>\$ 750,062</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	177,459	174,952
Loss on Disposal of Assets	82,869	0
Capitalized Donated Services	(161,584)	0
Changes in Certain Assets and Liabilities:		
Grants Receivable	70,509	(93,153)
Gift Cards	(3,100)	(4,170)
Prepaid Expenses	(19,659)	18,946
Accounts Payable	175,806	48,295
Accrued Liabilities	5,817	869
Accrued Vacation	(542)	6,344
Total Adjustments	<u>327,575</u>	<u>152,083</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 15,126,526</u></u>	<u><u>\$ 902,145</u></u>

**See the Accompanying Notes to the Financial Statements.**

**SARAH'S CIRCLE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**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, 2018 AND 2017**

**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 limits of approximately \$174,000 and \$0 at June 30, 2018 and 2017, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

C) Investments - Other

Certificates of deposit held for investment, not secured by debt, and with maturities greater than three months at year end are included in "investments - other." Certificates of deposit with original maturities more than three months and less than one year are classified as "investments - other" under current assets. Certificates of deposit with remaining maturities greater than one year are classified as "investments - other" under other assets.

**SARAH'S CIRCLE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

D) 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, 2018 and 2017, respectively.

E) 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 \$177,459 and \$174,952 for the years ended June 30, 2018 and 2017, respectively.

F) 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.

G) 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 2014 and prior.

**SARAH'S CIRCLE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 - INVESTMENTS**

The Organization has the following investments that are not subject to fair value measurements:

	<b>2018</b>	<b>2017</b>
Certificates of Deposit maturing within one year and more than 90 days	\$ 12,158,638	\$ 1,035,683
	<u>\$ 12,158,638</u>	<u>\$ 1,035,683</u>

The investments earned interest income of \$3,187 and \$1,411 for the years ended June 30, 2018 and 2017, all of which is unrestricted.

**NOTE 3 - GRANTS RECEIVABLE**

Grants receivable are deemed to be fully collectible by management and are composed of the following amounts due at June 30, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
City of Chicago	\$ 24,225	\$ 7,760
Department of Family and Support Services	46,180	88,453
U.S. Department of Housing and Urban Development	41,937	86,638
	<u>\$ 112,342</u>	<u>\$ 182,851</u>

**NOTE 4 - 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, 2018 and 2017, as part of the closing agreement, funds are being held in escrow at the Illinois Housing Development Authority in the amount of \$87,763 and \$88,667, respectively.



**SARAH'S CIRCLE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 5 - NOTES PAYABLE**

The Organization has the following notes payable at June 30, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
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.	\$ 0	\$ 141,412
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
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.	370,740	395,419
Total Debt	2,998,530	3,164,621
Less: Current Portion	26,507	40,935
Total Long-Term Debt	<u>\$ 2,972,023</u>	<u>\$ 3,123,686</u>

Future maturities of long-term debt are as follows:

For the Year Ended June 30, 2020	\$ 28,142
2021	29,878
2022	31,721
2023	33,677
2024	35,754
Thereafter	2,812,851
	<u>\$ 2,972,023</u>

**SARAH'S CIRCLE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
New Building Construction	\$ 13,919,731	\$ 0
Art Therapy Program	118,289	93,847
Housing Case Manager	<u>30,000</u>	<u>32,500</u>
Total Temporarily Restricted Net Assets	<u>\$ 14,068,020</u>	<u>\$ 126,347</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended June 30, 2018 and 2017:

Purpose Restriction Accomplished:	<b>2018</b>	<b>2017</b>
New Building Construction	\$ 206,269	\$ 0
Art Therapy Program	95,558	53,760
One in Four Program	50,000	50,000
Housing Case Manager	2,500	0
Asset Manager Position	<u>0</u>	<u>10,232</u>
Total Restrictions Released	<u>\$ 354,327</u>	<u>\$ 113,992</u>

**NOTE 7 - 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. Board designated net assets amount to \$1,270,000 and \$1,150,000 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 8 - IN-KIND DONATIONS**

Donated materials and donated fixed assets 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 \$63,489 and \$310,138, donated materials valued at \$165,882 and \$75,832 and donated fixed assets valued at \$161,584 and \$0 during the years ended June 30, 2018 and 2017, respectively.

**SARAH'S CIRCLE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 - IN-KIND DONATIONS (CONTINUED)**

These amounts are included within in-kind donations revenue. Donated material and donated services are allocated across the functional expense categories on the statements of activities. Donated fixed assets are included in fixed assets on the statements of financial position. 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.

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, 2018 and 2017 are \$131,389, respectively.

**NOTE 9 - LEASE COMMITMENTS**

The Organization leased its interim housing facility at 4750 N. Sheridan Road through July 31, 2017 with monthly rent payments to \$6,260. Upon expiration of the lease the Organization continues to rent on a month to month basis. Rent expense is \$76,466 and \$75,085 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 10 - 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 \$35,469 and \$19,051 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 11 - CONCENTRATIONS OF RISK**

The Organization receives approximately 42% and 44% of its funding from public sources. At June 30, 2018 and 2017 approximately 75% of all public grants received are from federal sources, respectively, 23% and 25% from city sources, respectively, and 2% 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.

**SARAH'S CIRCLE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 12 - RECLASSIFICATIONS**

Certain prior period amounts have been reclassified to conform to current year presentation.

**NOTE 13 - SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2018, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is October 31, 2018 the date on which the financial statements were available to be issued.

In September 2018, the Organization purchased a building for \$1,395,000 as the future site of its next housing facility.



**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***

Independent Auditor's Report

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, 2018 and 2017, 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 October 31, 2018.

**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 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 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 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 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 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sarah Circle's internal control over financial reporting 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 over financial reporting 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.

*Knuttle & Associates, P.C.*



**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**

Independent Auditors' Report

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, 2018. 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, 2018.

#### **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 and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, 2018, and have issued our report thereon dated October 31, 2018 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.

*Kuntze & Associates, P.C.*

October 31, 2018  
Darien, Illinois

**SARAH'S CIRCLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass Through Grantor/Program</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Continuum of Care Program			
*Continuum of Care Program - Case Management and Rental of Space	IL0104L5T101609	14.267	\$ 42,320
*Continuum of Care Program - Case Management and Rental of Space	IL0104L5T101710	14.267	24,236
*Continuum of Care Program - Low Income Housing Trust Fund - Chronic Homelessness	IL0398L5T101507	14.267	21,598
*Continuum of Care Program - Low Income Housing Trust Fund - Chronic Homelessness	IL0398L5T101608	14.267	108,001
*Continuum of Care Program - Permanent Housing	IL0426L5T101502	14.267	23,804
*Continuum of Care Program - Permanent Housing	IL0148L5T101603	14.267	107,250
*Continuum of Care Program - Shelter Plus Care	IL0426L5T101601	14.267	121,598
*Continuum of Care Program - Shelter Plus Care	IL0426L5T101702	14.267	62,466
Total Continuum of Care Program			<u>511,273</u>
Passed Through the City of Chicago Department of Family and Support Services			
CDBG - Entitlement Grants Cluster			
Community Development Block Grant (CDBG)	PO-31203	14.218	77,785
Community Development Block Grant (CDBG)	PO-31367	14.218	63,674
Community Development Block Grant (CDBG)	PO-67737	14.218	60,086
Community Development Block Grant (CDBG)	PO-67738	14.218	60,881
Total CDBG - Entitlement Grants Cluster			<u>262,426</u>
Total Passed Through the City of Chicago Department of Family and Support Services			
			<u>262,426</u>
Passed through the City of Chicago			
Community Housing and Development	PO-40901	14.239	50,545
Total passed through the City of Chicago			<u>50,545</u>
Passed Through Enterprise Community Partners, Inc.			
Capacity Building for Community Development and Affordable Housing Grants	15SG0194	14.252	1,350
Total Passed Through Enterprise Community Partners, Inc.			<u>1,350</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>825,594</u>

**See the Accompanying Notes to the Schedule of Expenditures of Federal Awards.**

**SARAH'S CIRCLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor/Pass Through Grantor/Program</b>	<b>Contract Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed through United Way of Metropolitan Chicago			
Emergency Food and Shelter Program	237800-061	97.024	16,213
Total Passed through United Way of Metropolitan Chicago			<u>16,213</u>
<b>Total U.S. Department of Homeland Security</b>			<u>16,213</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 841,807</u></u>

\* 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, 2018**

**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, 2018. 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, 2018, the Organization did not pass-through any federal award funds to sub-recipients.

**NOTE 4 - NON-CASH ASSISTANCE**

The Organization did not expend any federal awards in the form of non-cash assistance.

**NOTE 5 - LOAN GUARANTEES**

The Organization had no loan guarantees in effect during the year ended June 30, 2018.

**NOTE 6 - FEDERALLY FUNDED INSURANCE**

The Organization had no non-cash, federally-funded insurance in effect during the year ended June 30, 2018.

**SARAH'S CIRCLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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 Program

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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, 2018**

**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, 2018**

**I. Financial Statement Findings**

None

**II. Federal Award Findings and Questioned Costs**

None