



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

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CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2020 and 2019

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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**SARAH'S CIRCLE AND AFFILIATES**  
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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, 2020 and 2019 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, 2020 and 2019, 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.

## **Emphasis of Matter - New Accounting Pronouncement**

As discussed in notes to the financial statements, Sarah's Circle and Affiliates adopted the provisions of Accounting Standards Update ASU No. 2018-08, *Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this ASU did not result in a change to the accounting for any of the Sarah's Circle and Affiliates' revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion is not modified with respect to this matter

## **Emphasis of Matter - Prior Period Restatement**

As discussed in Note 7 to the consolidated financial statements, restatements resulting in changes of amounts previously reported for net assets with donor restrictions and net assets without donor restrictions were discovered during the audit. Accordingly, the amounts reported for these items have been restated in the 2019 financial statements. Our opinion is not modified with respect to these matters.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020 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*

Naperville, Illinois  
November 13, 2020

## **FINANCIAL STATEMENTS**

# SARAH'S CIRCLE AND AFFILIATES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

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	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 19,060,026	\$ 6,306,987
Cash, restricted	85,187	84,727
Grants receivable, net	177,043	209,204
Investments	2,500,040	10,988,050
Prepaid expenses	8,190	12,910
	<hr/>	<hr/>
Total current assets	21,830,486	17,601,878
<b>NONCURRENT ASSETS</b>		
Land and building	5,755,968	5,751,873
Construction in progress	11,462,868	2,403,739
Leasehold improvements	324,962	324,962
Furniture and equipment	288,494	259,958
	<hr/>	<hr/>
Total noncurrent assets	17,832,292	8,740,532
Less accumulated depreciation and amortization	1,452,181	1,253,567
	<hr/>	<hr/>
Net fixed assets	16,380,111	7,486,965
Deposit	10,874	10,874
	<hr/>	<hr/>
Total noncurrent assets	16,390,985	7,497,839
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 38,221,471</b>	<b>\$ 25,099,717</b>

(This statement is continued on the following page.)

## SARAH'S CIRCLE AND AFFILIATES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,007,653	\$ 63,250
Notes payable, current portion	29,878	28,142
Accrued liabilities	121,518	87,542
	<hr/>	
Total current liabilities	3,159,049	178,934
	<hr/>	
<b>LONG-TERM LIABILITIES</b>		
Refundable advance	293,069	-
Notes payable, net of current portion	2,914,622	2,944,166
	<hr/>	
Total long-term liabilities	3,207,691	2,944,166
	<hr/>	
Total liabilities	6,366,740	3,123,100
	<hr/>	
<b>NET ASSETS</b>		
Without donor restrictions, as restated	9,476,577	7,607,610
With donor restrictions, as restated	22,378,154	14,369,007
	<hr/>	
Total net assets	31,854,731	21,976,617
	<hr/>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 38,221,471</b>	<b>\$ 25,099,717</b>
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See accompanying notes to consolidated financial statements.

**SARAH'S CIRCLE AND AFFILIATES**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
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)	-
	<hr/>		
Total support and revenue	5,281,192	8,009,147	13,290,339
<b>EXPENSES</b>			
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
	<hr/>		
Total program services	3,097,198	-	3,097,198
Management and general	198,912	-	198,912
Fundraising	240,595	-	240,595
	<hr/>		
Total expenses	3,536,705	-	3,536,705
	<hr/>		
Change in net assets before net appreciation	1,744,487	8,009,147	9,753,634
NET APPRECIATION	124,480	-	124,480
	<hr/>		
CHANGE IN NET ASSETS	1,868,967	8,009,147	9,878,114
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORT	9,849,745	12,126,872	21,976,617
	<hr/>		
RESTATEMENT	(2,242,135)	2,242,135	-
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	7,607,610	14,369,007	21,976,617
	<hr/>		
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 9,476,577</b>	<b>\$ 22,378,154</b>	<b>\$ 31,854,731</b>
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See accompanying notes to consolidated financial statements.

**SARAH'S CIRCLE AND AFFILIATES**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 2,081,165	\$ 213,008	\$ 2,294,173
Grants	1,300,666	-	1,300,666
In-kind donations	421,199	-	421,199
Special events, net	175,934	-	175,934
Program rental income	20,458	-	20,458
Investment income, net	225,668	-	225,668
Net assets released from restrictions, restated	118,290	(118,290)	-
Total support and revenue	4,343,380	94,718	4,438,098
<b>EXPENSES</b>			
Program services			
Interim housing	1,210,146	-	1,210,146
Permanent supportive housing	718,792	-	718,792
Daytime support center	525,623	-	525,623
Clinical services	131,205	-	131,205
Total program services	2,585,766	-	2,585,766
Management and general	179,782	-	179,782
Fundraising	208,876	-	208,876
Total expenses	2,974,424	-	2,974,424
Change in net assets before net appreciation	1,368,956	94,718	1,463,674
NET APPRECIATION	23,537	-	23,537
CHANGE IN NET ASSETS, AS RESTATED	1,392,493	94,718	1,487,211
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	6,215,117	14,274,289	20,489,406
<b>NET ASSETS, END OF YEAR, AS RESTATED</b>	<b>\$ 7,607,610</b>	<b>\$ 14,369,007</b>	<b>\$ 21,976,617</b>

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				Total Program Services	Management/ General	Fundraising	Direct Benefit To Donors	Total
	Daytime Services	Interim Housing	Permanent Housing	Clinical Services					
<b>FUNCTIONAL EXPENSES</b>									
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
<b>COST OF SALES</b>									
Direct benefit to donors									
Meals	-	-	-	-	-	-	-	1,118	1,118
Entertainment	-	-	-	-	-	-	-	15,049	15,049
<b>TOTAL EXPENSES</b>	<b>\$ 555,152</b>	<b>\$ 1,557,189</b>	<b>\$ 840,026</b>	<b>\$ 144,831</b>	<b>\$ 3,097,198</b>	<b>\$ 198,912</b>	<b>\$ 240,595</b>	<b>\$ 16,167</b>	<b>\$ 3,552,872</b>

See accompanying notes to consolidated financial statements.

SARAH'S CIRCLE AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services					Management/ General	Fundraising	Direct Benefit To Donors	Total
	Daytime Services	Interim Housing	Permanent Housing	Clinical Services	Total Program Services				
<b>FUNCTIONAL EXPENSES</b>									
Salaries	\$ 246,097	\$ 533,447	\$ 262,161	\$ 61,428	\$ 1,103,133	\$ 84,174	\$ 97,796	\$ -	\$ 1,285,103
Payroll taxes	18,548	40,204	19,758	4,630	83,140	6,344	7,371	-	96,855
Employee benefits	32,417	70,267	34,531	8,092	145,307	11,088	12,882	-	169,277
Total salaries and related expenses	297,062	643,918	316,450	74,150	1,331,580	101,606	118,049	-	1,551,235
Bank fees	34,318	74,387	36,558	8,566	153,829	11,738	13,637	-	179,204
Board and staff expenses	2,258	4,895	2,404	564	10,121	772	897	-	11,790
Client services	8,616	18,680	168,041	2,151	197,488	2,948	3,425	-	203,861
Contractual services	3,669	7,955	3,910	917	16,451	1,255	1,458	-	19,164
Depreciation and amortization	33,848	73,369	36,057	8,449	151,723	11,577	13,451	-	176,751
Development	41	90	44	11	186	14	16	-	216
Food supplies	11,018	23,882	11,737	2,751	49,388	3,768	4,378	-	57,534
Insurance	1,700	3,685	1,811	424	7,620	582	676	-	8,878
Interest	29,342	63,602	31,257	7,325	131,526	10,036	11,660	-	153,222
Marketing	1,936	4,195	2,062	483	8,676	662	769	-	10,107
Postage	1,842	3,993	1,963	460	8,258	630	732	-	9,620
Printing	3,287	7,125	3,502	821	14,735	1,124	1,306	-	17,165
Professional fees	2,144	4,646	2,284	535	9,609	733	852	-	11,194
Professional fees in-kind	27,990	60,672	29,817	6,987	125,466	9,574	11,123	-	146,163
Rent	-	70,795	-	-	70,795	-	-	-	70,795
Repairs and maintenance	19,093	41,384	20,340	4,766	85,583	6,530	7,587	-	99,700
Supplies	4,341	9,410	4,624	1,083	19,458	1,485	1,725	-	22,668
Supplies in-kind	27,508	59,628	29,304	6,866	123,306	9,409	10,932	-	143,647
Telephone and internet	4,243	9,197	4,519	1,059	19,018	1,451	1,686	-	22,155
Transportation	2,512	5,445	2,676	627	11,260	859	998	-	13,117
Utilities	8,855	19,193	9,432	2,210	39,690	3,029	3,519	-	46,238
Total expenses before cost of sales	525,623	1,210,146	718,792	131,205	2,585,766	179,782	208,876	-	2,974,424
<b>COST OF SALES</b>									
Direct benefit to donors									
Meals	-	-	-	-	-	-	-	561	561
Entertainment	-	-	-	-	-	-	-	8,839	8,839
<b>TOTAL EXPENSES</b>	\$ 525,623	\$ 1,210,146	\$ 718,792	\$ 131,205	\$ 2,585,766	\$ 179,782	\$ 208,876	\$ 9,400	\$ 2,983,824

See accompanying notes to consolidated financial statements.

**SARAH'S CIRCLE AND AFFILIATES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 9,878,114	\$ 1,487,211
Adjustments to reconcile change in net assets to cash from operating activities		
Depreciation and amortization	198,614	176,751
Contributions for long-term investments	(8,526,871)	(213,008)
Appreciation on investments	(124,480)	(23,537)
Capitalized donated services	(476,331)	(94,534)
Changes in certain assets and liabilities		
Grants receivable	32,161	(96,862)
Prepaid expenses	4,720	25,434
Accounts payable	771	(181,873)
Refundable advance	293,069	-
Accrued liabilities	33,976	23,747
	(8,564,371)	(383,882)
Total adjustments		
Net cash from operating activities	1,313,743	1,103,329
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for purchase of property	(5,671,797)	(2,049,980)
Proceeds from sale of investments	10,988,050	24,607,711
Payments for purchase of investments	(2,375,560)	(23,413,586)
	2,940,693	(855,855)
Net cash from investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions for long-term investment	8,526,871	213,008
Principal payments on notes payable debt	(27,808)	(26,222)
	8,499,063	186,786
Net cash from financing activities		
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	12,753,499	434,260
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	6,391,714	5,957,454
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 19,145,213	\$ 6,391,714
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
Cash and cash equivalents	\$ 19,060,026	\$ 6,306,987
Restricted cash	85,187	84,727
	\$ 19,145,213	\$ 6,391,714
<b>TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 20,247	\$ 21,832
Income taxes paid	\$ -	\$ -
<b>NONCASH INVESTING ACTIVITIES</b>		
Capital additions included in accounts payable	\$ 2,943,632	\$ -
Capitalized donated services	\$ 476,331	\$ 94,534

See accompanying notes to consolidated financial statements.

# SARAH'S CIRCLE AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

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### 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.

*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 POLICIES**Principles 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 (USGAAP). 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 USGAAP 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 \$85,187 and \$84,727 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the bank balance of the deposits exceeded FDIC limits by approximately \$308,000 and \$248,000, 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, 2020 and 2019, respectively; however, actual write-offs may occur.

## SARAH'S CIRCLE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 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 \$1,000 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, 2020 and 2019 is \$198,614 and \$176,751, respectively. The Organization entered into a contract effective July 17, 2019 with Skender Construction, LLC in connection with the construction of a building. The contract is guaranteed not to exceed \$12,743,045. The \$11,462,868 and \$2,403,739 shown on the statement of financial position as construction in progress at June 30, 2020 and 2019, respectively, is for this project. Commitments remaining under the contract at June 30, 2020 total \$1,280,177.

##### Refundable Advance

The refundable advance consists of proceeds in the amount of approximately \$293,069 under the Paycheck Protection Program (PPP) received on April 15, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), and as amended by the Paycheck Protection Program Flexibility Act of 2020 (the PPP Flexibility Act), provides for funds to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The proceeds are forgivable as long as the borrower uses the proceeds during the covered period for eligible purposes, including payroll, benefits, rent and utilities, spends a minimum amount of the proceeds for payroll costs, and maintains its payroll levels. The amount of forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period, with certain exceptions. The unforgiven portion of PPP proceeds issued under the CARES Act is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

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

The Organization has adopted Accounting Standards Update (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 year ending June 30, 2020 are presented under ASU No. 2018-08. The standard was adopted modified prospectively and therefore the comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods.

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.

Federal grants are accounted for under Topic 958 as they meet the definition of contributions and are reimbursement based. Therefore, these are recognized as revenue when qualifying expenses are incurred.

Special event revenue is recorded as revenue at the time the events are held and recorded as deferred when collected in advance.

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 \$68,680 and \$143,647 at June 30, 2020 and 2019, 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 \$476,331 and \$94,533 at June 30, 2020 and 2019, respectively, which is included in in-kind donations revenue on the statement of activities and construction in progress on the statement of financial position.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**In-Kind Donations (Continued)

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 \$254,159 and \$146,163 at June 30, 2020 and 2019, 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, 2020 and 2019, 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.

New Accounting Standards

Financial Accounting Standards Board (FASB) has issued ASU No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all USGAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU No. 2014-09, as amended by ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the impacts of this new standard.

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

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, 2020 and interim periods within fiscal years beginning after December 15, 2021. 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.

**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

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

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**3. LIQUIDITY AND AVAILABILITY (Continued)**

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:

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 19,060,026	\$ 6,306,987
Cash, restricted	85,187	84,727
Grants receivable, net	177,043	209,204
Investment	2,500,040	10,988,050
	<hr/>	<hr/>
Total financial assets available within one year	21,822,296	17,588,968
Less donor-imposed restrictions		
Purpose restrictions - housing case manager	(30,000)	(30,000)
Purpose restrictions - building - 1005 W. Leland	(22,348,154)	(14,339,007)
Construction in progress amounts expended	6,593,378	2,403,739
Less board-designated reserves	(1,470,000)	(1,370,000)
	<hr/>	<hr/>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL USE WITHIN ONE YEAR	<u>\$ 6,493,378</u>	<u>\$ 4,253,700</u>

The Organization has board-designated reserves, of which \$1,470,000 at June 30, 2020 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 MEASUREMENTS**Fair 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.

**SARAH'S CIRCLE**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**4. FAIR VALUE MEASUREMENTS (Continued)**Fair Value Measurements (Continued)

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, 2020 and 2019.

*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.

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
Mutual funds	\$ 2,500,040	\$ -	\$ -	\$ 2,500,040
<b>TOTAL INVESTMENTS</b>				<b><u>\$ 2,500,040</u></b>

**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, 2019 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	\$ -	\$ 10,988,050	\$ -	\$ 10,988,050
<b>TOTAL INVESTMENTS</b>				<u>\$ 10,988,050</u>

**5. LEASE COMMITMENTS AND SUBLEASE INCOME**

The Organization leased its interim housing facility on a month-to-month basis through December 31, 2018. On January 1, 2019, the Organization entered into a two-year noncancelable operating lease for this facility. Monthly rent is \$6,367. Additionally, rent was abated for the first two months of the lease.

Total rent expense for the years ended June 30, 2020 and 2019 is \$76,407 and \$70,795, respectively.

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

<u>For the Year Ending</u>	<u>Amount</u>
2021	<u>38,204</u>
<b>TOTAL</b>	<u>\$ 38,204</u>

Subleases are entered into with tenants, which include security deposits, through the transitional housing program. All leases with tenants are typically six months and not more than one year. Rental income-program fees totaled \$14,182 and \$20,458 from tenants for the years ended June 30, 2020 and 2019, respectively.

**SARAH'S CIRCLE**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**6. NOTES PAYABLE**

Notes payable at June 30, 2020 consist of the following:

	<u>2020</u>	<u>2019</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.	<u>316,710</u>	<u>344,518</u>
Total debt	2,944,500	2,972,308
Less current portion	<u>(29,878)</u>	<u>(28,142)</u>
<b>TOTAL LONG-TERM NOTES PAYABLE</b>	<b><u>\$ 2,914,622</u></b>	<b><u>\$ 2,944,166</u></b>

Future maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 29,878
2022	31,721
2023	33,677
2024	35,754
2025	37,959
Thereafter	<u>2,775,511</u>
<b>TOTAL</b>	<b><u>\$ 2,944,500</u></b>

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

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**7. PRIOR PERIOD RESTATEMENT**

The statement of financial position and statement of activities have been restated to correct errors in prior years relating to the classification of net assets. Net assets with donor restrictions for the construction of a new building were improperly released as expended when the standards require that the amounts be released when the asset is placed in service. The effect of the net asset restatement was an increase in net assets with donor restrictions at June 30, 2018 of \$206,269 and corresponding decrease to net assets without donor restrictions. There was also an increase to net assets with donor restrictions at June 30, 2019 of \$2,035,866 and corresponding decrease in net assets without donor restrictions.

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restriction are restricted for the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building - 1005 W. Leland	\$ 22,348,154	\$ 14,339,007
Housing Case Manager	<u>30,000</u>	<u>30,000</u>
<b>TOTAL DONOR RESTRICTED ASSETS</b>	<b><u>\$ 22,378,154</u></b>	<b><u>\$ 14,369,007</u></b>

Net assets were released from temporary donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Art Therapy Program	\$ -	\$ 118,290
Tax credit contribution fees - 1005 W. Leland	<u>517,724</u>	<u>-</u>
<b>TOTAL RESTRICTIONS RELEASED</b>	<b><u>\$ 517,724</u></b>	<b><u>\$ 118,290</u></b>

**9. 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, 2020 and 2019, the Organization made contributions of \$52,560 and \$36,272, respectively.

**10. SUBSEQUENT EVENTS**

Beginning around March 2020, The Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. As a result, the investments of the Organization have experienced significant declines in quoted prices on active markets. Management of the Organization is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**SARAH'S CIRCLE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**10. SUBSEQUENT EVENTS (Continued)**

The Organization has evaluated subsequent events through November 13, 2020, which was the date that these financial statements were available to be issued and determined that there were no significant nonrecognized subsequent events through that date.



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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, 2020 and 2019, 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 November 13, 2020.

**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) to determine 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*

Naperville, Illinois  
November 13, 2020



## **SARAH'S CIRCLE**

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INDEPENDENT AUDITOR'S REPORTS  
PURSUANT TO UNIFORM GUIDANCE

For the Year Ended June 30, 2020



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

To the Board of Directors  
Sarah’s Circle  
Chicago, Illinois

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 financial statements of Sarah’s Circle (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2020.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s 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 designated to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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*

Naperville, Illinois  
November 13, 2020



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

To the Board of Directors  
Sarah’s Circle  
Chicago, Illinois

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

We have audited the Organization’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 the Organization’s major federal programs for the year ended June 30, 2020. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization’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 the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization’s compliance.

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

In our opinion, the Organization 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, 2020.

## **Report on Internal Control Over Compliance**

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness the Organization's internal control over compliance.

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

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

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

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

We have audited the financial statements of the Organization as of and for the year ended June 30, 2020, and have issued our report thereon dated November 13, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 audit 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 accepted 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 as a whole.

*Sikich LLP*

Naperville, Illinois  
November 13, 2020

## SARAH'S CIRCLE

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Continuum of Care Program			
Continuum of Care Program - Low Income Housing Trust Fund - Chronic Homelessness	14.267	IL0398L5T101709	\$ 24,692
Continuum of Care Program - Low Income Housing Trust Fund - Chronic Homelessness	14.267	IL0398L5T101810	100,956
Continuum of Care Program - Shelter Plus Care	14.267	IL0461L5T101803	144,993
Continuum of Care Program - Shelter Plus Care	14.267	IL0461L5T101904	58,337
Continuum of Care Program - Permanent Housing	14.267	IL0104L5T101811	43,437
Continuum of Care Program - Permanent Housing	14.267	IL0104L5T101912	31,368
Continuum of Care Program - Case Management and Rental of Space	14.267	IL0426L5T101704	22,129
Continuum of Care Program - Case Management and Rental of Space	14.267	IL0426L5T101805	<u>111,516</u>
Total CFDA 14.267			<u>537,428</u>
CDBG - Entitlement Grants Cluster			
Pass-through programs from:			
City of Chicago Department of Family and Support Services			
Community Development Block Grant	14.218	PO-98371 - 85160	109,962 (M)
Community Development Block Grant	14.218	PO-98381 - 85370	51,965 (M)
Community Development Block Grant	14.218	PO-128122	94,501 (M)
Community Development Block Grant	14.218	PO-128006	<u>56,286 (M)</u>
Total CFDA 14.218			<u>312,714</u>
Home Investment Partnerships Program			
Pass-through programs from:			
City of Chicago			
Community Housing and Development	14.239	PO-40901-3	23,875
Community Housing and Development	14.239	PO-40901-4	<u>17,681</u>
Total CFDA 14.239			<u>41,556</u>
Total U.S. Department of Housing and Urban Development			<u>891,698</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter Program			
Emergency Food and Shelter Program - Mass Shelter	97.024	N/A	<u>14,997</u>
Total U.S. Department of Homeland Security			<u>14,997</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 906,695</u></u>

(M) Program was audited as a major program.

## **SARAH'S CIRCLE**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2020

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#### **NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **NOTE 2 - OTHER INFORMATION**

The Organization did not receive any federal insurance or federal noncash assistance and did not provide any amounts to sub-recipients. The Organization also did not elect the 10% federal de minimis indirect cost rate.

**SARAH'S CIRCLE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2020

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**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
  - Significant deficiency(ies) identified?? \_\_\_\_\_ yes  X  none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for all 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:

CFDA Number

Name of Federal Program

14.218

Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X  yes \_\_\_\_\_ no

**SARAH'S CIRCLE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2020

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**Section II - Financial Statement Findings**

None

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

None

**Section IV - Prior Year Federal Award Findings and Questioned Costs**

None