PHILLIPS, SALMI + ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

HOME SWEET HOME MINISTRIES, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

www.psa-cpa.com 112 S. Main Street • Washington, IL 309.444.4909

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Home Sweet Home Ministries, Inc.
Bloomington, Illinois

We have audited the accompanying financial statements of Home Sweet Home Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 audit 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 auditor's 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 opinion.

www.psa-cpa.com 112 S. Main Street • Washington, IL 309.444.4909

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home Sweet Home Ministries, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017 on our consideration of Home Sweet Home Ministries, Inc.'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 the 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 Home Sweet Home Ministries, Inc.'s internal control over financial reporting and compliance.

Phillips, Salmi & Associates, LLC

Washington, Illinois
October 17, 2017

HOME SWEET HOME MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 568,366	$ 240,160
Cash and cash equivalents - restricted	23,848	26,793
Investments	147,297	126,022
Accounts receivable	31,064	144,284
Pledges receivable	1,000	6,500
Bequests receivable	-	158,510
Other	41,307	39,857
Total current assets	812,882	742,126
LONG-TERM INVESTMENTS AND OTHER ASSETS		
Pledges receivable	-	3,798
Cash surrender value of life insurance	13,846	14,414
Beneficial interests in perpetual trust	96,319	100,734
Beneficial interest in quasi endowment	77,442	75,567
	187,607	194,513
PROPERTY AND EQUIPMENT	2,014,491	2,146,596
	$ 3,014,980	$ 3,083,235
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 196,729	$ 166,949
Other current liabilities	2,495	345
Deferred revenue	6,200	-
Total liabilities	205,424	167,294
NET ASSETS		
Unrestricted		
Undesignated	2,057,437	2,146,573
Board designated	527,352	371,336
Total unrestricted net assets	2,584,789	2,517,909
Temporarily restricted	224,767	398,032
Total net assets	2,809,556	2,915,941
	$ 3,014,980	$ 3,083,235

See accompanying notes.

HOME SWEET HOME MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	$1,753,283	$ 16,369	$1,769,652
Bequests	6,090	-	6,090
Special events, net of direct expenses of $22,502 (2017) and $1,270 (2016)	66,620	-	66,620
Sales to the public	861,954	-	861,954
Grants	258,105	36,478	294,583
Program revenue	29,573	-	29,573
Interest and other	27,605	1,893	29,498
Net assets released from purpose restrictions	54,197	(54,197)	-
Net assets released from time restrictions	173,808	(173,808)	-
	3,231,235	(173,265)	3,057,970
EXPENSES			
Program services			
Meals	682,587	-	682,587
Shelter care	627,416	-	627,416
Community services	41,283	-	41,283
Retail operations	1,017,906	-	1,017,906
	2,369,192	-	2,369,192
Supporting services			
Management and general	476,033	-	476,033
Fund raising	319,130	-	319,130
	795,163	-	795,163
	3,164,355	-	3,164,355
CHANGE IN NET ASSETS	66,880	(173,265)	(106,385)
NET ASSETS - BEGINNING	2,517,909	398,032	2,915,941
NET ASSETS - ENDING	$2,584,789	$ 224,767	$2,809,556

See accompanying notes.

	2016	
Unrestricted	Temporarily Restricted	Total
$ 1,760,237	$ 9,352	$ 1,769,589
11,061	158,510	169,571
17,863	-	17,863
1,178,253	-	1,178,253
300,552	37,125	337,677
18,447	-	18,447
18,457	(5,952)	12,505
51,594	(51,594)	-
95,292	(95,292)	-
3,451,756	52,149	3,503,905
767,873	-	767,873
701,040	-	701,040
67,920	-	67,920
1,211,832	-	1,211,832
2,748,665	-	2,748,665
491,322	-	491,322
333,139	-	333,139
824,461	-	824,461
3,573,126	-	3,573,126
(121,370)	52,149	(69,221)
2,639,279	345,883	2,985,162
$ 2,517,909	$ 398,032	$ 2,915,941

HOME SWEET HOME MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services				
	Meals	Shelter Care	Community Services	Retail Operations	Total
Expenditures:					
Salaries	$ 193,403	$ 374,215	$ 21,530	$ 604,160	$ 1,193,308
Staff benefits	52,410	66,109	4,219	77,739	200,477
Payroll taxes	14,468	29,986	1,876	51,369	97,699
Professional fees and contracts	1,698	3,425	1,228	47,451	53,802
Supplies	339,761	23,784	823	23,098	387,466
Facility & Equipment	29,996	57,738	1,267	70,295	159,296
Postage and shipping	214	90	-	68	372
Technology & Communications	3,963	6,536	696	8,217	19,412
Vehicle expense	4,716	2,164	3,213	43,188	53,281
Conferences and training	82	213	3	53	351
Client assistance	-	1,146	2,094	3,960	7,200
Depreciation	39,184	54,745	4,094	51,372	149,395
Bad debts	-	-	-	30,929	30,929
Miscellaneous	2,692	7,265	240	6,007	16,204
Total expenditures	$ 682,587	$ 627,416	$ 41,283	$ 1,017,906	$ 2,369,192

See accompanying notes.

Support Services			
Management and General	Fund Raising	Total	Total Functional Expenses
$ 294,985	$ 83,704	$ 378,689	$1,571,997
43,654	6,563	50,217	250,694
21,515	6,158	27,673	125,372
62,820	96,149	158,969	212,771
4,813	88,858	93,671	481,137
15,833	849	16,682	175,978
1,960	32,184	34,144	34,516
6,298	1,494	7,792	27,204
146	22	168	53,449
1,903	638	2,541	2,892
-	-	-	7,200
16,354	2,367	18,721	168,116
-	-	-	30,929
5,752	144	5,896	22,100
$ 476,033	$ 319,130	$ 795,163	$3,164,355

HOME SWEET HOME MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services				
	Meals	Shelter Care	Community Services	Retail Operations	Total
Expenditures:					
Salaries	$203,277	$ 424,019	$ 35,462	$ 743,609	$1,406,367
Staff benefits	38,452	81,793	5,640	99,592	225,477
Payroll taxes	16,196	30,502	2,455	56,078	105,231
Professional fees and contracts	2,334	6,333	1,214	68,276	78,157
Supplies	418,102	21,908	426	25,297	465,733
Facility & Equipment	27,721	60,650	609	101,071	190,051
Postage and shipping	340	72	1	276	689
Technology & Communications	3,361	5,420	1,095	7,370	17,246
Vehicle expense	10,892	2,046	5,786	42,663	61,387
Conferences and training	285	2,041	1,443	835	4,604
Client assistance	-	1,960	9,220	4,961	16,141
Depreciation	44,222	57,559	3,963	52,784	158,528
Bad debts	-	-	-	-	-
Miscellaneous	2,691	6,737	606	9,020	19,054
Total expenditures	$767,873	$ 701,040	$ 67,920	$1,211,832	$2,748,665

See accompanying notes.

Support Services			
Management and General	Fund Raising	Total	Total Functional Expenses
$ 308,740	$ 61,387	$370,127	$ 1,776,494
62,075	7,678	69,753	295,230
22,756	14,970	37,726	142,957
55,476	92,590	148,066	226,223
3,652	115,870	119,522	585,255
9,255	758	10,013	200,064
1,976	35,782	37,758	38,447
4,757	1,920	6,677	23,923
189	24	213	61,600
1,922	24	1,946	6,550
-	-	-	16,141
15,653	1,920	17,573	176,101
-	-	-	-
4,871	216	5,087	24,141
$ 491,322	$ 333,139	$824,461	$ 3,573,126

HOME SWEET HOME MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$(106,385)	$ (69,221)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	168,116	176,101
Unrealized (gain) loss on investments	(21,275)	15,812
Noncash donations of property and equipment	(3,294)	-
Noncash donations of investments	(7,015)	(5,865)
(Gain) loss on sale of investments	67	(11,389)
(Gain) loss on disposal of property and equipment	1,886	2,907
Decrease in cash surrender value of life insurance	568	520
Beneficial interest in quasi endowment	5,000	5,000
(Increase) decrease in value of beneficial interests in trust	(2,460)	5,432
(Increase) decrease in operating assets		
Accounts receivable	113,220	(49,335)
Pledges receivable	9,298	6,500
Bequests receivable	158,510	(74,718)
Other current assets	(1,450)	2,316
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	29,780	2,046
Other current liabilities	2,150	(952)
Deferred revenue	6,200	-
Net cash provided by operating activities	352,916	5,154
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property	930	-
Proceeds from sale of investments	6,948	70,928
Purchase of property and equipment	(35,533)	(40,556)
Deposits made to restricted cash	(36,478)	(37,125)
Withdrawals from restricted cash	39,423	47,568
Net cash provided by (used in) investing activities	(24,710)	40,815

See accompanying notes.

HOME SWEET HOME MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
INCREASE IN CASH AND CASH EQUIVALENTS	$ 328,206	$ 45,969
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	240,160	194,191
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 568,366	$ 240,160
SUPPLEMENTAL DATA		
Noncash donations of property and equipment	$ 3,294	$ -
Noncash donations of investments	7,015	5,865

See accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Home Sweet Home Ministries, Inc. (the Organization) is a nonprofit organization whose mission is to extend Christ's love by helping individuals and families overcome homelessness and other obstacles to self-sufficiency through the provision of food, clothing, shelter, counseling, spiritual nurture, and other services. Home Sweet Home Ministries is a non-profit organization organized under the laws of the State of Illinois, principally serving individuals and families in McLean and contiguous counties.

Contributions and Contributed Services and Food

Contributions are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a 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. There are no permanently restricted net assets or activities during the years ended June 30, 2017 and 2016. The Organization considers the bequests receivable to be fully collectible; accordingly, no allowance for uncollectible receivables has been provided.

Donated assets, other than items such as clothing and other commodities that are directly distributed to clients, are reflected as contributions in the accompanying statements at their estimated fair market value at the date of the gift.

Contributed services are recognized if the service received creates or enhances a nonfinancial asset such as land or buildings or they required specialized skills and would typically need to be purchased if they had not been contributed. The organization received and recognized contributed services meeting this criterion totaling $7,395 and $32,240 for the years ended June 30, 2017 and 2016, respectively.

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.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

Accounts Receivable

An allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. Management believes no allowance was necessary at June 30, 2017 and 2016.

Investments

Investments are carried at fair market value in the statement of financial position. Changes in fair market value are reported in the statement of activities as a change in unrestricted net assets or temporarily restricted net assets, depending on the class of the related net assets.

Property and Equipment

Purchased land, buildings and equipment exceeding $1,000 each are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Estimated useful lives are five to forty years for buildings and three to ten years for equipment. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Depreciation expense for the years ended June 30, 2017 and 2016 was $168,116 and $176,101, respectively. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized.

Tax Exempt Status

The Organization is organized as an Illinois not-for-profit corporation and is exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code. The Organization is also registered with the State of Illinois Attorney General under the Charitable Trust and Solicitation Act and has been given a religious exemption from the annual filing requirements. The Organization files a Form 990 (Return of Organization Exempt from Income Tax) annually. When the returns are filed, it is highly certain that some positions taken would be sustained upon examination by taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to nonprofit organizations include such matters as the following: the tax exempt status of each entity and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990-T, as appropriate. The benefit of tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation process, if any.

Tax positions are offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Upon the adoption and as of June 30, 2017, there were no unrecognized tax benefits identified and recorded as a liability.

Forms 990 filed by the Organization are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return Forms 990 filed by the Organization are no longer subject to examination for the years 2013 and prior.

Reclassifications

Certain reclassifications have been made in the prior year financial statements to conform to current year presentation.

NOTE 2. PLEDGES RECEIVABLE

Pledges receivable represents promises to give which have been made by donors but have not yet been received by the Organization. The Organization considers pledges receivable fully collectible; accordingly, no allowance for uncollectible pledges has been provided.

Total pledges receivable at June 30, 2017, and 2016, were as follows:

	2017	2016
Receivable in less than one year	$ 1,000	$ 6,500
Receivable in one to five years	-	3,798
	$ 1,000	$ 10,298

NOTE 3. INVESTMENTS

	2017	2016
Investments consist of:		
Exchange Trade Funds	$ 147,297	$ 126,022
Investment income, gains and losses consist of:		
Interest and dividends	$ 2,479	$ 2,910
Increase (decrease) in fair value of investments	21,275	(15,812)
Realized gain (loss) on investments	(67)	11,389
	$ 23,687	$ (1,513)

NOTE 4. RESTRICTED CASH

Cash restricted for specific purposes were as follows:

	2017	2016
Grants	$ 23,848	$ 26,793

NOTE 5. GIFT ANNUITIES AND LIFE INSURANCE POLICIES

The Organization has been named as a beneficiary of 11% of the income of the Hilda M. Padgett Trust for perpetuity. At June 30, 2017 and 2016, the value of the trust was $96,319 and $100,734, respectively, and is based upon estimated future cash flows to the Organization discounted at 5%.

The Organization has been named owner and beneficiary of two life insurance policies. The total cash surrender value of the policies is recorded on the statement of financial position. At June 30, 2017 and 2016, the total cash surrender value of the policies was $13,846 and $14,414, respectively.

NOTE 6. BENEFICIAL INTEREST IN QUASI ENDOWMENT

In 2015 a donor established a quasi endowment fund with the Illinois Prairie Community Foundation totaling $81,717 for the benefit of Home Sweet Home Ministries, Inc. Under the terms of the agreement, a minimum annual distribution shall be $5,000. The Organization can withdraw up to 25% of the fund balance in a calendar year, provided that a written request of the Board of Directors is submitted and the Foundation approves of the withdrawal. At the time of the transfer, the donor granted variance power to the Foundation. That power gives the Foundation the right to vary the terms of any gift if continued adherence to any condition or restriction is in the judgment of the Foundation's Board of Directors unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by the Foundation. At June 30, 2017 and 2016, the endowment fund has a value of $77,442 and $75,567, respectively which is reported in the statement of financial position as beneficial interest in quasi endowment.

NOTE 7. OTHER ASSETS

Total other assets at June 30, 2017, and 2016, were as follows:

	2017	2016
Prepaid expenses	$ 37,371	$ 34,544
Inventory	3,936	5,313
	$ 41,307	$ 39,857

NOTE 8. PROPERTY AND EQUIPMENT

At June 30, 2017 and 2016, the costs and related accumulated depreciation of property and equipment consisted of the following:

	2017	2016
Land	$ 219,421	$ 219,421
Buildings and improvements	3,598,203	3,599,926
Equipment and vehicles	647,741	629,967
Construction in process	-	333
	4,465,365	4,449,647
Less accumulated depreciation	2,450,874	2,303,051
Property and equipment, net	$ 2,014,491	$ 2,146,596

NOTE 9. NOTE PAYABLE

The Organization has a line of credit available totaling $250,000, while the Organization has not drawn on the line of credit for the years ended June 30, 2017 and 2016, interest is due on the 16th of each month at Prime rate plus 95 basis points, secured by real estate and due on demand subject to an acceleration clause.

NOTE 10. NET ASSETS

Board Designated

The Board of Directors has made a commitment to stewardship of excess operational and bequest funds to ensure that both current and future agency needs will be met. As a result, the board has adopted a policy to govern the reception, management and disbursal of any excess funds or other assets received from unrestricted bequests. Proceeds will be a segregated and designated into three categories as follows: Investment, Capital Reserve and Operational Reserve. Each designation category has a spending policy. As of June 30, 2017 and 2016 the board designations are as follows:

	2017	2016
Investment	$ 275,189	$ 166,370
Capital Reserve	48,500	7,350
Operational Reserve	203,663	197,616
	$ 527,352	$ 371,336

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Time Restriction		
Residual interest in life insurance	$ 13,846	$ 14,414
Beneficial interests in perpetual trust	96,319	100,734
Beneficial interests in quasi endowment	77,442	75,567
Operational	1,000	168,808
Purpose Restriction		
Other purposes	36,160	38,509
	$ 224,767	$ 398,032

NOTE 11. EMPLOYEE BENEFITS

The Organization has a tax-sheltered annuity program in accordance with Section 403(b) of the Internal Revenue Code for its employees. The plan was modified, effective July 1, 2016. Every employee may elect to become a participant and defer compensation into the plan immediately upon hire. Participants are 100% vested in their own contributions at all times. After one year of service, all employees not covered by collective bargaining agreements that complete 1,000 hours of service during a plan year, are over age 21 and normally work more than 20 hours per week are eligible for the employer plan contributions.

Effective July 1, 2016 the Organization's employer match is discretionary and can be adjusted at any time. For the year ended June 30, 2017 there was no employer match. Prior to July 1, 2016 the Organization contributed an amount equal to 50% of each eligible employee's electively deferred contributions up to 6% of salary. The discretionary match is allocated based on a percentage of employee deferrals and is applied based on employee's deferral not exceeding 4% of compensation. The employer matching and discretionary contributions are subject to a 5-year vesting schedule. Employees contributed $59,220 and $81,986 to this plan during the years ended June 30, 2017 and 2016, respectively, and the Organization's matching and discretionary contribution totaled $- and $30,359, respectively, none of which was paid from participant forfeitures.

NOTE 12. LEASES

During 2014, the Organization entered into a lease for a box truck. Under the terms of the lease, the Organization is required to make a set monthly payment plus a per mile charge through January 2021. Both of these charges are subject to an annual CPI adjustment.

During 2015, the Organization entered into a lease for a box truck. Under the terms of the lease, the Organization is required to make a set monthly payment through December 2020. This charge is subject to an annual CPI adjustment. The Organization decided not to extend this lease and the truck was returned during 2017.

During June 30, 2017 and 2016, the total lease expense was $31,699 and $30,472, respectively. The future minimum lease payments are as follows:

2018	$ 16,386
2019	16,386
2020	16,386
2021	9,470

NOTE 13. FAIR VALUE MEASUREMENTS

Fair Value Measurements

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
		2017	
Investments:			
Exchange Trade Funds	$ 147,297	$ 147,297	$ -
Beneficial interest in perpetual trusts	96,319	-	96,319
Beneficial interest in quasi endowment	77,442	-	77,442
	$ 321,058	$ 147,297	$ 173,761
		2016	
Investments:			
Exchange Trade Funds	$ 126,022	$ 126,022	$ -
Beneficial interest in perpetual trusts	100,734	-	100,734
Beneficial interest in perpetual trusts	75,567	-	75,567
	$ 302,323	$ 126,022	$ 176,301

Reconciliation of level 3 assets measured at fair value on a reoccurring basis using significant unobservable inputs:

	2017	2016
Value, beginning of year	$ 176,301	$ 186,731
Contribution	-	-
Distribution	(5,000)	(5,000)
Change in value	2,460	(5,430)
Value, end of year	$ 173,761	$ 176,301

The change in value of the beneficial interest in perpetual trusts are shown as interest and other on the statement of activities.

NOTE 14. SUBSEQUENT EVENT

Subsequent to year end, the lease of the Lincoln, Illinois commercial property, owned by the Organization was terminated and the tenant vacated the property. While the Organization is actively attempting to lease the property, the Organization also made the decision to list the property for sale for $230,000. The net book value of this property included in these financial statements is approximately $260,000.

The Organization has evaluated subsequent events through October 17, 2017, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PHILLIPS, SALMI + ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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
Home Sweet Home Ministries, Inc.
Bloomington, 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 Home Sweet Home Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 October 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Home Sweet Home Ministries, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

www.psa-cpa.com 112 S. Main Street • Washington, IL 309.444.4909

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Home Sweet Home Ministries, Inc.'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 organization's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Phillips, Salmi & Associates, LLC

Washington, Illinois
October 17, 2017