



**PHILLIPS, SALMI + ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**HOME SWEET HOME MINISTRIES, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**



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## 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, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***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.



***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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 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 22, 2018

HOME SWEET HOME MINISTRIES, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 907,327	\$ 568,366
Cash and cash equivalents - restricted	39,871	23,848
Investments	319,439	147,297
Accounts receivable	30,635	31,064
Pledges receivable	-	1,000
Other	24,487	41,307
	<hr/>	<hr/>
Total current assets	1,321,759	812,882
	<hr/>	<hr/>
<b>LONG-TERM INVESTMENTS AND OTHER ASSETS</b>		
Cash restricted to investment in long-term assets	151,048	-
Bequests receivable	3,300,000	-
Cash surrender value of life insurance	13,089	13,846
Beneficial interests in perpetual trust	94,891	96,319
Beneficial interest in quasi endowment	77,147	77,442
	<hr/>	<hr/>
	3,636,175	187,607
	<hr/>	<hr/>
<b>PROPERTY AND EQUIPMENT</b>		
Property available for sale	121,177	-
Property and equipment, net	1,674,478	2,014,491
	<hr/>	<hr/>
Total property and equipment	1,795,655	2,014,491
	<hr/>	<hr/>
	\$ 6,753,589	\$ 3,014,980
	<hr/>	<hr/>

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 189,307	\$ 196,729
Other current liabilities	345	2,495
Deferred revenue	-	6,200
Total liabilities	189,652	205,424
NET ASSETS		
Unrestricted		
Undesignated	1,780,017	2,057,437
Board designated	872,533	527,352
Total unrestricted net assets	2,652,550	2,584,789
Temporarily restricted	611,387	224,767
Permanently restricted	3,300,000	-
Total net assets	6,563,937	2,809,556
	\$ 6,753,589	\$ 3,014,980

See accompanying notes.

HOME SWEET HOME MINISTRIES, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>				
Contributions	\$1,714,924	\$ 410,160	\$ -	\$2,125,084
Bequests	345,181	-	3,300,000	3,645,181
Special events, net of direct expenses of \$23,550 (2018) and \$22,503 (2017)	94,665	-	-	94,665
Sales to the public	775,510	-	-	775,510
Grants	190,453	56,271	-	246,724
Program revenue	16,366	-	-	16,366
Interest and other	48,258	(2,479)	-	45,779
Net assets released from purpose restrictions	76,332	(76,332)	-	-
Net assets released from time restrictions	1,000	(1,000)	-	-
	<u>3,262,689</u>	<u>386,620</u>	<u>3,300,000</u>	<u>6,949,309</u>
<b>EXPENSES</b>				
Program services				
Meals	545,495	-	-	545,495
Shelter care	602,963	-	-	602,963
Community services	151,997	-	-	151,997
Retail operations	1,000,853	-	-	1,000,853
	<u>2,301,308</u>	<u>-</u>	<u>-</u>	<u>2,301,308</u>
Supporting services				
Management and general	551,776	-	-	551,776
Fund raising	341,844	-	-	341,844
	<u>893,620</u>	<u>-</u>	<u>-</u>	<u>893,620</u>
	<u>3,194,928</u>	<u>-</u>	<u>-</u>	<u>3,194,928</u>
<b>CHANGE IN NET ASSETS</b>	67,761	386,620	3,300,000	3,754,381
<b>NET ASSETS - BEGINNING</b>	<u>2,584,789</u>	<u>224,767</u>	<u>-</u>	<u>2,809,556</u>
<b>NET ASSETS - ENDING</b>	<u>\$2,652,550</u>	<u>\$ 611,387</u>	<u>\$ 3,300,000</u>	<u>\$6,563,937</u>

See accompanying notes.

	2017	
Unrestricted	Temporarily Restricted	Total
\$ 1,753,283	\$ 16,369	\$ 1,769,652
6,090	-	6,090
66,620	-	66,620
861,954	-	861,954
258,105	36,478	294,583
29,573	-	29,573
27,605	1,893	29,498
54,197	(54,197)	-
173,808	(173,808)	-
<u>3,231,235</u>	<u>(173,265)</u>	<u>3,057,970</u>
682,587	-	682,587
627,416	-	627,416
41,283	-	41,283
1,017,906	-	1,017,906
<u>2,369,192</u>	<u>-</u>	<u>2,369,192</u>
476,033	-	476,033
319,130	-	319,130
<u>795,163</u>	<u>-</u>	<u>795,163</u>
<u>3,164,355</u>	<u>-</u>	<u>3,164,355</u>
66,880	(173,265)	(106,385)
<u>2,517,909</u>	<u>398,032</u>	<u>2,915,941</u>
<u>\$ 2,584,789</u>	<u>\$ 224,767</u>	<u>\$ 2,809,556</u>

HOME SWEET HOME MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018

	Program Services				
	Meals	Shelter Care	Community Services	Retail Operations	Total
Expenditures:					
Salaries	\$ 150,572	\$ 362,253	\$ 68,167	\$ 514,801	\$ 1,095,793
Staff benefits	31,250	47,544	15,074	60,524	154,392
Payroll taxes	9,650	28,332	6,094	38,281	82,357
Professional fees and contracts	1,252	9,913	1,925	47,338	60,428
Supplies	287,550	13,431	27,548	24,620	353,149
Facility & Equipment	26,304	64,050	13,048	76,380	179,782
Postage and shipping	138	96	-	59	293
Technology & Communications	8,050	16,113	978	13,511	38,652
Vehicle expense	2,644	2,327	3,993	30,154	39,118
Conferences and training	17	215	901	163	1,296
Client assistance	57	1,040	-	3,656	4,753
Depreciation	26,130	51,869	13,310	51,843	143,152
Impairment loss	-	-	-	134,803	134,803
Miscellaneous	1,881	5,780	959	4,720	13,340
Total expenditures	\$ 545,495	\$ 602,963	\$ 151,997	\$ 1,000,853	\$ 2,301,308

See accompanying notes.

Support Services			Total Functional Expenses
Management and General	Fund Raising	Total	
\$ 341,495	\$ 73,167	\$ 414,662	\$ 1,510,455
46,723	4,712	51,435	205,827
26,460	5,391	31,851	114,208
62,361	122,043	184,404	244,832
2,595	95,569	98,164	451,313
24,695	1,409	26,104	205,886
293	33,945	34,238	34,531
13,332	2,591	15,923	54,575
175	21	196	39,314
2,389	857	3,246	4,542
-	-	-	4,753
18,132	1,918	20,050	163,202
-	-	-	134,803
13,126	221	13,347	26,687
<u>\$ 551,776</u>	<u>\$ 341,844</u>	<u>\$ 893,620</u>	<u>\$ 3,194,928</u>

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	<u>\$682,587</u>	<u>\$ 627,416</u>	<u>\$ 41,283</u>	<u>\$1,017,906</u>	<u>\$2,369,192</u>

See accompanying notes.

Support Services			Total Functional Expenses
Management and General	Fund Raising	Total	
\$ 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
<u>\$ 476,033</u>	<u>\$319,130</u>	<u>\$795,163</u>	<u>\$ 3,164,355</u>



HOME SWEET HOME MINISTRIES, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$3,754,381	\$(106,385)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	163,202	168,116
Unrealized (gain) loss on investments	2,118	(21,275)
Noncash donations of property and equipment	-	(3,294)
Noncash donations of investments	(7,186)	(7,015)
(Gain) loss on sale of investments	(12,654)	67
Loss on disposal of property and equipment	-	1,886
Impairment loss on write-off of non-financial assets	134,803	-
Contributions restricted for long-term assets	(151,048)	-
Bequest receivable restricted for long-term investment	(3,300,000)	-
Decrease in cash surrender value of life insurance	757	568
Beneficial interest in quasi endowment	5,000	5,000
(Increase) decrease in value of beneficial interests in trust	(3,277)	(2,460)
(Increase) decrease in operating assets		
Accounts receivable	429	113,220
Pledges receivable	1,000	9,298
Bequests receivable	-	158,510
Other current assets	16,820	(1,450)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(29,138)	29,780
Other current liabilities	(2,150)	2,150
Deferred revenue	(6,200)	6,200
Net cash provided by operating activities	<u>566,857</u>	<u>352,916</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property	-	930
Proceeds from sale of investments	36,608	6,948
Purchase of investments	(191,028)	-
Purchase of property and equipment	(57,453)	(35,533)
Deposits made to restricted cash	(212,319)	(36,478)
Withdrawals from restricted cash	<u>45,248</u>	<u>39,423</u>
Net cash provided by (used in) investing activities	<u>(378,944)</u>	<u>(24,710)</u>

See accompanying notes.



HOME SWEET HOME MINISTRIES, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in long-term assets	<u>\$ 151,048</u>	<u>\$ -</u>
INCREASE IN CASH AND CASH EQUIVALENTS	338,961	328,206
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>568,366</u>	<u>240,160</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 907,327</u></u>	<u><u>\$ 568,366</u></u>
SUPPLEMENTAL DATA		
Noncash donations of property and equipment	\$ -	\$ 3,294
Noncash donations of investments	7,186	7,015

See accompanying notes.



HOME SWEET HOME MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS

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 at net realizable value. 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 year ended June 30, 2017. 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 \$18,951 and \$7,395 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

## 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, 2018 and 2017 was \$163,202 and \$168,116, 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, 2018, 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 2014 and prior.

## NOTE 2. PLEDGES AND BEQUEST 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.

The Organization was named as a residual beneficiary of a trust. The majority of the assets in the trust consist of farmland to be sold at auction. The resulting receivable is based upon the estimated net amount to be collected. The expectation is the trust will be distributed in 2019.

## NOTE 3. INVESTMENTS

	2018	2017
Investments consist of:		
Exchange Trade Funds	\$ 312,468	\$ 147,297
Mutual Funds (Equity)	3,002	-
Mutual Funds (Fixed)	3,969	-
	<u>\$ 319,439</u>	<u>\$ 147,297</u>
Investment income, gains and losses consist of:		
Interest and dividends	\$ 8,634	\$ 2,479
Increase (decrease) in fair value of investments	(2,118)	21,275
Realized gain (loss) on investments	12,654	(67)
	<u>\$ 19,170</u>	<u>\$ 23,687</u>

## NOTE 4. RESTRICTED CASH

Cash restricted for specific purposes were as follows:

	2018	2017
Grants	\$ 39,871	\$ 23,848
Construction of long term asset	151,048	-

## 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, 2018 and 2017, the value of the trust was \$94,891 and \$96,319, 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, 2018 and 2017, the total cash surrender value of the policies was \$13,089 and \$13,846, 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, 2018 and 2017, the endowment fund has a value of \$77,147 and \$77,442, 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, 2018, and 2017, were as follows:

	2018	2017
Prepaid expenses	\$ 20,551	\$ 37,371
Inventory	3,936	3,936
	<u>\$ 24,487</u>	<u>\$ 41,307</u>

#### NOTE 8. PROPERTY AVAILABLE FOR SALE

During the year ended June 30, 2018, the lease of the Lincoln, Illinois commercial property, owned by the Organization was terminated and the tenant vacated the property. As a result, the Organization made the decision to list the property for sale. The carrying value of the land and building was \$255,980, however the estimated net realizable value is \$121,177 resulting in an impairment loss of \$134,803 being recognized during the year ended June 30, 2018.

#### NOTE 9. PROPERTY AND EQUIPMENT

At June 30, 2018 and 2017, the costs and related accumulated depreciation of property and equipment consisted of the following:

	2018	2017
Land	\$ 135,332	\$ 219,421
Buildings and improvements	3,468,170	3,598,203
Equipment and vehicles	659,998	647,741
	<u>4,263,500</u>	<u>4,465,365</u>
Less accumulated depreciation	<u>2,589,022</u>	<u>2,450,874</u>
Property and equipment, net	<u>\$ 1,674,478</u>	<u>\$ 2,014,491</u>



#### NOTE 10. 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, 2018 and 2017, interest is due on the 16<sup>th</sup> of each month at Prime rate plus 95 basis points, secured by real estate and due on demand subject to an acceleration clause.

#### NOTE 11. 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 disbursement of any excess funds or other assets received from unrestricted bequests. Proceeds will be 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, 2018 and 2017 the board designations are as follows:

	2018	2017
Investment	\$ 447,779	\$ 275,189
Capital Reserve	134,795	48,500
Operational Reserve	289,958	203,663
	<u>\$ 872,532</u>	<u>\$ 527,352</u>

##### Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Time Restriction		
Residual interest in life insurance	\$ 13,089	\$ 13,846
Beneficial interests in perpetual trust	94,891	96,319
Beneficial interests in quasi endowment	77,147	77,442
Operational	-	1,000
Purpose Restriction		
Bathroom renovations	151,048	-
Other purposes	275,212	36,160
	<u>\$ 611,387</u>	<u>\$ 224,767</u>

##### Permanently Restricted

The Organization has been named the beneficiary of a donation to establish a permanent endowment fund, the proceeds of which are to be invested and the income from said investments to be used annually for the Organization's general purposes. The donation has been recorded as a bequest receivable at June 30, 2018.



#### NOTE 12. EMPLOYEE BENEFITS

The Organization has a tax-sheltered annuity program in accordance with Section 403(b) of the Internal Revenue Code for its employees. 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.

The Organization's employer match is discretionary and can be adjusted at any time. 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 \$66,505 and \$59,220 to this plan during the years ended June 30, 2018 and 2017, respectively, and the Organization's matching and discretionary contribution totaled \$16,787 and \$-, respectively, none of which was paid from participant forfeitures.

#### NOTE 13. 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 fiscal year ended June 30, 2017.

During June 30, 2018 and 2017, the total lease expense was \$16,625 and \$31,699, respectively. The future minimum lease payments are as follows:

2019	\$ 16,672
2020	16,672
2021	9,637

#### NOTE 14. 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)
	2018		
Investments:			
Exchange Trade Funds	\$ 312,468	\$ 312,468	\$ -
Mutual Funds	6,971	6,971	-
Property available for sale	121,177	-	121,177
Beneficial interest in perpetual trusts	94,891	-	94,891
Beneficial interest in quasi endowment	77,147	-	77,147
	<u>\$ 612,654</u>	<u>\$ 319,439</u>	<u>\$ 293,215</u>
	2017		
Investments:			
Exchange Trade Funds	\$ 147,297	\$ 147,297	\$ -
Beneficial interest in perpetual trusts	96,319	-	96,319
Beneficial interest in perpetual trusts	77,442	-	77,442
	<u>\$ 321,058</u>	<u>\$ 147,297</u>	<u>\$ 173,761</u>



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

	2018	2017
Value, beginning of year	\$ 173,761	\$ 176,301
Listing of property for sale	121,177	-
Distribution	(5,000)	(5,000)
Change in value	<u>3,277</u>	<u>2,460</u>
Value, end of year	<u>\$ 293,215</u>	<u>\$ 173,761</u>

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

#### NOTE 15. SUBSEQUENT EVENT

The Organization has evaluated subsequent events through October 22, 2018, the date which the financial statements were available to be issued.



## SUPPLEMENTARY INFORMATION





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, 2018, 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 22, 2018.

**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.



### **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 22, 2018

