



**PHILLIPS, SALMI + ASSOCIATES, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

**HOME SWEET HOME MINISTRIES, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2019 AND 2018**

## TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	11
Notes to Financial Statements	13
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 <i>GOVERNMENT AUDITING STANDARDS</i>	22



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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 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  
December 16, 2019

HOME SWEET HOME MINISTRIES, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,346,842	\$ 907,327
Cash and cash equivalents - restricted	30,533	39,871
Investments	-	319,439
Accounts receivable	37,326	30,635
Other	<u>21,035</u>	<u>24,487</u>
Total current assets	<u>1,435,736</u>	<u>1,321,759</u>
<b>LONG-TERM INVESTMENTS AND OTHER ASSETS</b>		
Cash restricted to investment in long-term assets	1,363,011	151,048
Investments-restricted	1,970,322	-
Bequests receivable	806,333	3,300,000
Cash surrender value of life insurance	12,297	13,089
Beneficial interest in perpetual trusts	209,049	200,746
Beneficial interest in quasi endowment	<u>73,742</u>	<u>77,147</u>
	<u>4,434,754</u>	<u>3,742,030</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property available for sale	93,427	121,177
Property and equipment, net	<u>1,762,569</u>	<u>1,674,478</u>
Total property and equipment	<u>1,855,996</u>	<u>1,795,655</u>
	<u><u>\$ 7,726,486</u></u>	<u><u>\$ 6,859,444</u></u>

	2019	2018
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 167,642	\$ 189,307
Other current liabilities	<u>-</u>	<u>345</u>
Total liabilities	<u>167,642</u>	<u>189,652</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	1,801,726	1,780,017
Board designated	<u>1,152,532</u>	<u>872,533</u>
	2,954,258	2,652,550
With donor restrictions	<u>4,604,586</u>	<u>4,017,242</u>
Total net assets	<u>7,558,844</u>	<u>6,669,792</u>
	<u>\$ 7,726,486</u>	<u>\$ 6,859,444</u>

See accompanying notes.

HOME SWEET HOME MINISTRIES, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions	\$1,910,380	\$ 2,033	\$1,912,413
Bequests	30,000	839,666	869,666
Special events, net of direct expenses of \$13,147 (2019) and \$23,550 (2018)	80,185	-	80,185
Sales to the public	705,486	-	705,486
Grants	164,667	49,415	214,082
Program revenue	10,494	-	10,494
Interest and other	44,205	9,105	53,310
Net assets released from purpose restrictions	307,875	(307,875)	-
Net assets released from time restrictions	5,000	(5,000)	-
	<u>3,258,292</u>	<u>587,344</u>	<u>3,845,636</u>
<b>EXPENSES</b>			
Program services			
Meals	295,546	-	295,546
Shelter care	551,165	-	551,165
Community services	447,753	-	447,753
Retail operations	873,013	-	873,013
	<u>2,167,477</u>	<u>-</u>	<u>2,167,477</u>
Supporting services			
Management and general	473,678	-	473,678
Fund raising	315,429	-	315,429
	<u>789,107</u>	<u>-</u>	<u>789,107</u>
	<u>2,956,584</u>	<u>-</u>	<u>2,956,584</u>
<b>CHANGE IN NET ASSETS</b>	301,708	587,344	889,052
<b>NET ASSETS - BEGINNING</b>	2,652,550	4,017,242	6,669,792
Prior period adjustment	-	-	-
<b>NET ASSETS - ENDING</b>	<u>\$2,954,258</u>	<u>\$ 4,604,586</u>	<u>\$7,558,844</u>

See accompanying notes.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,714,924	\$ 410,160	\$ 2,125,084
345,181	3,300,000	3,645,181
94,665	-	94,665
775,510	-	775,510
190,453	56,271	246,724
16,366	-	16,366
48,258	12,756	61,014
76,332	(76,332)	-
1,000	(1,000)	-
3,262,689	3,701,855	6,964,544
545,495	-	545,495
602,963	-	602,963
151,997	-	151,997
1,000,853	-	1,000,853
2,301,308	-	2,301,308
551,776	-	551,776
341,844	-	341,844
893,620	-	893,620
3,194,928	-	3,194,928
67,761	3,701,855	3,769,616
2,584,789	224,767	2,809,556
-	90,620	90,620
\$ 2,652,550	\$ 4,017,242	\$ 6,669,792



HOME SWEET HOME MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019

	Program Services				Total
	Meals	Shelter Care	Community Services	Retail Operations	
Expenditures:					
Salaries	\$ 140,689	\$ 311,608	\$ 143,705	\$ 496,070	\$ 1,092,072
Staff benefits	23,180	44,087	17,695	53,577	138,539
Payroll taxes	15,869	23,331	9,455	40,186	88,841
Professional fees and contracts	1,250	18,363	2,563	46,996	69,172
Supplies	64,231	10,372	214,485	22,909	311,997
Facility & Equipment	19,204	64,578	14,530	74,568	172,880
Postage and shipping	75	17	2	83	177
Technology & Communications	8,476	16,285	1,156	15,774	41,691
Vehicle expense	492	2,329	2,630	35,597	41,048
Conferences and training	973	926	2,912	199	5,010
Client assistance	12	755	19,219	2,798	22,784
Depreciation	19,650	53,798	18,342	50,973	142,763
Impairment loss	-	-	-	27,750	27,750
Miscellaneous	1,445	4,716	1,059	5,533	12,753
<b>Total expenditures</b>	<b>295,546</b>	<b>551,165</b>	<b>447,753</b>	<b>873,013</b>	<b>2,167,477</b>
Less direct special event expenses	-	-	-	-	-
<b>Total expenditures less direct expenses</b>	<b>\$ 295,546</b>	<b>\$ 551,165</b>	<b>\$ 447,753</b>	<b>\$ 873,013</b>	<b>\$ 2,167,477</b>

See accompanying notes.

<u>Support Services</u>			Total Functional Expenses
Management and General	Fund Raising	Total	
\$ 215,296	\$ 84,389	\$ 299,685	\$ 1,391,757
16,950	4,816	21,766	160,305
16,948	6,074	23,022	111,863
165,664	68,985	234,649	303,821
4,224	119,559	123,783	435,780
22,461	1,796	24,257	197,137
1,807	37,388	39,195	39,372
13,053	3,480	16,533	58,224
217	30	247	41,295
1,909	588	2,497	7,507
-	-	-	22,784
6,865	1,296	8,161	150,924
-	-	-	27,750
8,284	175	8,459	21,212
<u>473,678</u>	<u>328,576</u>	<u>802,254</u>	<u>2,969,731</u>
-	(13,147)	(13,147)	(13,147)
<u>\$ 473,678</u>	<u>\$ 315,429</u>	<u>\$ 789,107</u>	<u>\$ 2,956,584</u>

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

	Program Services				Total
	Meals	Shelter Care	Community Services	Retail Operations	
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	0	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
Less direct special event expenses	-	-	-	-	-
Total expenditures less direct expenses	\$ 545,495	\$ 602,963	\$ 151,997	\$ 1,000,853	\$ 2,301,308

See accompanying notes.

<u>Support Services</u>			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	131,143	193,504	253,932
2,595	109,769	112,364	465,513
24,695	1,409	26,104	205,886
293	33,945	34,238	34,531
13,332	2,841	16,173	54,825
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>365,394</u>	<u>917,170</u>	<u>3,218,478</u>
<u>-</u>	<u>(23,550)</u>	<u>(23,550)</u>	<u>(23,550)</u>
<u>\$ 551,776</u>	<u>341,844</u>	<u>\$ 893,620</u>	<u>\$ 3,194,928</u>

HOME SWEET HOME MINISTRIES, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 889,052	\$3,769,616
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	150,924	163,202
Unrealized (gain) loss on investments	(15,888)	2,118
Noncash donations of investments	-	(7,186)
(Gain) loss on sale of investments	380	(12,654)
Loss on disposal of property and equipment	2,976	-
Impairment loss on write-off of non-financial assets	27,750	134,803
Contributions restricted for long-term assets	-	(151,048)
Bequest receivable restricted for long-term investment	(556,333)	(3,300,000)
Decrease in cash surrender value of life insurance	792	757
Beneficial interest in quasi endowment	5,000	5,000
(Increase) decrease in value of beneficial interests in trust	(9,898)	(18,512)
(Increase) decrease in operating assets		
Accounts receivable	(6,691)	429
Pledges receivable	-	1,000
Bequests receivable	(250,000)	-
Other current assets	3,452	16,820
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(21,665)	(29,138)
Other current liabilities	(345)	(2,150)
Deferred revenue	-	(6,200)
	<u>219,506</u>	<u>566,857</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property	3,746	-
Proceeds from sale of investments	3,827	36,608
Purchase of investments	(1,639,202)	(191,028)
Purchase of property and equipment	(245,737)	(57,453)
Release of contributions for long term investment	151,048	-
Deposits made to restricted cash	(1,412,426)	(212,319)
Withdrawals from restricted cash	209,801	45,248
	<u>(2,928,943)</u>	<u>(378,944)</u>

See accompanying notes.

HOME SWEET HOME MINISTRIES, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Release of contributions restricted for investment in long-term assets	\$ (151,048)	\$ -
Proceeds from contributions restricted for investment in long-term assets	<u>3,300,000</u>	<u>151,048</u>
Net cash provided by financing activities	<u>3,148,952</u>	<u>151,048</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	439,515	338,961
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>907,327</u>	<u>568,366</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 1,346,842</u></u>	<u><u>\$ 907,327</u></u>

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.

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, 2019 and 2018.

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 Net assets without donor restrictions or with donor restrictions, 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, 2019 and 2018 was \$150,924 and \$163,202, respectively. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized.

#### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and change therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those which will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires at the later of when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled.

#### Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Contributions received during the current year where the purpose restriction was satisfied in the current year were treated as activities without donor restrictions.

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 \$3,136 and \$18,951 for the years ended June 30, 2019 and 2018, respectively.



## Functional Allocation of Expenses

The costs of programs or activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and management and general services benefited. Such allocations are determined by management on an equitable basis based on time and effort, square footage or full time equivalent.

## 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, 2019, 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 2015 and prior.

## Prior Period Adjustment

The Organization was named the beneficiary of a trust. The value of the beneficial interest in the trust using an average of cash flows was previously not recorded. An adjustment has been made to prior year financial statements totaling \$90,620 to record the estimated value at June 30, 2017 and the increase in the value of the beneficial interest was recorded as an increase in net assets with donor restriction total \$15,235 for the year ended June 30, 2018.

## Reclassifications

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

## Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Organization for annual period beginning after December 15, 2018. The Organization has not determined the effect of this ASU on its financial statements.

## Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the Organization's year ended June 30, 2019. The ASU has been applied retrospectively to all periods presented.

## Subsequent Events

Management evaluated events occurring between the end of the most recent fiscal year and December 16, 2019, the date the financial statements were issued for events required to be disclosed.

## NOTE 2. LIQUIDITY

The Organization's annual operating cash needs are determined during the budget process. During the year cash is monitored and evaluated monthly. Excess operating cash is invested in liquid assets (money market, CD's) with a financial return and minimum at risk. Excess cash (greater than a year) can be invested per the Executive Committee.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following:

Financial assets at year end:		
Cash and cash equivalents	\$	2,740,386
Investments		1,970,322
Accounts receivable		37,326
Bequest receivable		806,333
Beneficial interest in insurance, trust and quasi endowment		295,088
		<hr/>
		5,626,455
Less amounts not available to be used for general expenditures:		
Net assets with donor restrictions		4,604,586
		<hr/>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>1,244,869</u>

**NOTE 3. 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.

During the year ended June 30, 2018 the Organization was named as a residual beneficiary of a trust to be treated as an endowment. The majority of the assets in the trust consist of farmland to be sold at auction. The resulting receivable was based upon the estimated net amount to be collected, however during the year ended June 30, 2019 the Organization became aware of additional proceeds to be received. In addition the Organization was notified of a bequest without donor restrictions.

Bequest receivable were as follows:

	2019	2018
With donor restriction	\$ 556,333	\$ 3,300,000
Without donor restriction other than time	250,000	-
	<u>\$ 806,333</u>	<u>\$ 3,300,000</u>

**NOTE 4. INVESTMENTS**

	2019	2018
Investments consist of:		
Exchange Trade Funds	\$ 1,746,113	\$ 312,468
Mutual Funds (Equity)	68,156	3,002
Mutual Funds (Fixed)	156,053	3,969
	<u>\$ 1,970,322</u>	<u>\$ 319,439</u>
Investment income, gains and losses consist of:		
Interest and dividends, net of management fee	\$ 30,205	\$ 8,634
Increase (decrease) in fair value of investments	15,107	(2,118)
Realized gain (loss) on investments	(380)	12,654
	<u>\$ 44,932</u>	<u>\$ 19,170</u>

**NOTE 5. RESTRICTED CASH**

Cash restricted for specific purposes were as follows:

	2019	2018
Grants	\$ 30,533	\$ 39,871
Construction of long term asset	-	151,048

**NOTE 6. 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, 2019 and 2018, the value of the trust was \$91,872 and \$94,891, respectively, and is based upon estimated future cash flows to the Organization discounted at 5%.

In addition, the Organization has been named one of eight beneficiaries of a designated endowment fund. At June 30, 2019 and 2018, the value of the trust was \$117,177 and \$105,855, 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, 2019 and 2018, the total cash surrender value of the policies was \$12,297 and \$13,089, respectively.

**NOTE 7. 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, 2019 and 2018, the endowment fund has a value of \$73,742 and \$77,147, respectively which is reported in the statement of financial position as beneficial interest in quasi endowment.

**NOTE 8. OTHER ASSETS**

Total other assets at June 30, 2019, and 2018, were as follows:

	2019	2018
Prepaid expenses	\$ 21,035	\$ 20,551
Inventory	-	3,936
	<u>\$ 21,035</u>	<u>\$ 24,487</u>

**NOTE 9. 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. Subsequent to June 30, 2019 the building was sold and the net proceeds were \$93,427, resulting in an additional loss of \$27,750 recognized during the year ended June 30, 2019.

**NOTE 10. PROPERTY AND EQUIPMENT**

At June 30, 2019 and 2018, the costs and related accumulated depreciation of property and equipment consisted of the following:

	2019	2018
Land	\$ 135,332	\$ 135,332
Buildings and improvements	3,684,707	3,468,170
Equipment and vehicles	<u>578,658</u>	<u>659,998</u>
	4,398,697	4,263,500
Less accumulated depreciation	<u>2,636,128</u>	<u>2,589,022</u>
Property and equipment, net	<u>\$ 1,762,569</u>	<u>\$ 1,674,478</u>

**NOTE 11. 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, 2019 and 2018, 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 12. 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, 2019 and 2018 the board designations are as follows:

	2019	2018
Investment	\$ 587,779	\$ 447,779
Capital Reserve	204,795	134,795
Operational Reserve	<u>359,958</u>	<u>289,958</u>
	<u>\$1,152,532</u>	<u>\$ 872,532</u>

Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes:

	2019	2018
Subject to passage of time:		
Residual interest in life insurance	\$ 12,297	\$ 13,089
Beneficial interests in perpetual trust	209,049	200,746
Beneficial interests in quasi endowment	73,742	77,147
Bequest receivable	250,000	-
	<u>545,088</u>	<u>290,982</u>
Subject to expenditure for specified purpose:		
Bathroom renovations	-	151,048
Other purposes	169,832	275,212
	<u>169,832</u>	<u>426,260</u>
Endowment		
Restricted by donor for general use	<u>3,889,666</u>	<u>3,300,000</u>
	<u>\$ 4,604,586</u>	<u>\$ 4,017,242</u>

The Organization's endowment consists of a bequest received which required the establishment of a permanent endowment fund, the proceed of which are to be invested and the income from said investments to be used annually for the Organization's general purposes.

#### **NOTE 13. 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 \$60,132 and \$66,505 to this plan during the years ended June 30, 2019 and 2018, respectively, and the Organization's matching and discretionary contribution totaled \$16,605 and 16,787 respectively, none of which was paid from participant forfeitures.

#### **NOTE 14. 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 June 30, 2019 and 2018, the total lease expense was \$14,828 and \$14,828, respectively. The future minimum lease payments are as follows:

2020	\$	16,592
2020		9,617

**NOTE 15. 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	Significant
		In Active Markets for Identical Assets (Level 1)	Unobservable Inputs (Level 3)
<u>2019</u>			
Investments:			
Exchange Trade Funds	\$ 1,746,113	\$ 1,746,113	\$ -
Mutual Funds	224,209	224,209	-
Property available for sale	93,427	-	93,427
Beneficial interest in perpetual trusts	209,049	-	209,049
Beneficial interest in quasi endowment	73,742	-	73,742
	<u>\$ 2,346,540</u>	<u>\$ 1,970,322</u>	<u>\$ 376,218</u>
<u>2018</u>			
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	200,746	-	200,746
Beneficial interest in perpetual trusts	77,147	-	77,147
	<u>\$ 718,509</u>	<u>\$ 319,439</u>	<u>\$ 399,070</u>

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

	2019	2018
Value, beginning of year	\$ 399,070	\$ 264,381
Listing of property for sale	-	121,177
Distribution	(5,000)	(5,000)
Change in value	<u>(17,852)</u>	<u>18,512</u>
Value, end of year	<u>\$ 376,218</u>	<u>\$ 399,070</u>

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



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, 2019, 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 December 16, 2019.

**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  
December 16, 2019