

SHEFFIELD PLACE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017 AND 2016



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Sheffield Place
Kansas City, Missouri

We have audited the accompanying financial statements of Sheffield Place (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, 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. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 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.

A handwritten signature in black ink that reads "Pickett, Chaney & McMullen LLP".

Overland Park, Kansas
March 8, 2018

SHEFFIELD PLACE

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 718,726	\$ 719,035
Grants receivable	93,003	48,449
Promises receivable	<u>95,604</u>	<u>72,836</u>
Total current assets	907,333	840,320
Property and equipment, net	<u>865,848</u>	<u>764,348</u>
Total assets	<u>\$ 1,773,181</u>	<u>\$ 1,604,668</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 7,512	\$ 10,433
Accrued payroll expenses and withholdings	40,723	56,845
Accrued vacation	22,759	22,759
Clients' accounts	<u>1,622</u>	<u>2,586</u>
Total current liabilities	72,616	92,623
Net Assets:		
Unrestricted	1,511,512	1,329,996
Temporarily restricted	<u>189,053</u>	<u>182,049</u>
Total net assets	<u>1,700,565</u>	<u>1,512,045</u>
Total liabilities and net assets	<u>\$ 1,773,181</u>	<u>\$ 1,604,668</u>

See notes to financial statements.

SHEFFIELD PLACE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
		Total	Total		Total	Total
REVENUES, GAINS AND OTHER SUPPORT:						
Federal government grants	\$ 241,618	\$	241,618	\$ 330,042	\$	330,042
Other government grants	270,581		270,581	215,056		215,056
In-kind contributions	57,826		57,826	64,335		64,335
Contributions and grants	253,740	\$ 311,718	565,458	298,995	\$ 284,997	583,992
Special events	319,123		319,123	264,705		264,705
Occupancy fees	8,552		8,552	10,706		10,706
Therapy work program	212		212	3,206		3,206
Interest income	1,217		1,217	808		808
Rental income	23,909		23,909	17,204		17,204
Gain on involuntary conversion			-	11,655		11,655
Net assets released from restrictions	304,714	(304,714)	-	306,644	(306,644)	-
Total revenues, gains and other support	1,481,492	7,004	1,488,496	1,523,356	(21,647)	1,501,709
EXPENSES:						
Program services	1,026,190		1,026,190	1,092,836		1,092,836
Administrative	119,481		119,481	118,126		118,126
Fundraising	154,305		154,305	150,259		150,259
Total expenses	1,299,976		1,299,976	1,361,221		1,361,221
CHANGE IN NET ASSETS						
	181,516	7,004	188,520	162,135	(21,647)	140,488
NET ASSETS, BEGINNING OF YEAR	1,329,996	182,049	1,512,045	1,167,861	203,696	1,371,557
NET ASSETS, END OF YEAR	<u>\$ 1,511,512</u>	<u>\$ 189,053</u>	<u>\$ 1,700,565</u>	<u>\$ 1,329,996</u>	<u>\$ 182,049</u>	<u>\$ 1,512,045</u>

See notes to financial statements.

SHEFFIELD PLACE

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016				
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries and wages	\$ 561,540	\$ 68,870	\$ 18,725	\$ 649,135	\$ 622,912	\$ 69,015	\$ 22,442	\$ 714,369
Payroll taxes	43,901	5,378	1,463	50,742	48,817	5,484	1,784	56,085
Employee benefits	95,157	13,016	4,074	112,247	96,706	9,005	3,956	109,667
Professional fees		17,490	7,070	24,560	4,446	16,775	16,355	37,576
Special events			112,430	112,430			97,430	97,430
Direct client assistance - In-kind	34,806			34,806	31,326			31,326
Supplies	37,092	1,245	1,804	40,141	40,553	1,704	1,376	43,633
Telephones	7,288	1,290	1,388	9,966	6,765	1,471	1,605	9,841
Building maintenance	30,803	1,390		32,193	37,838	1,864		39,702
Utilities	36,922	410		37,332	31,227	358		31,585
Insurance	20,066	1,384	1,114	22,564	19,139	1,137	1,063	21,339
Conferences and training	6,899	1,071	870	8,840	10,492	1,657	342	12,491
Travel	2,342	893	347	3,582	3,206	607	390	4,203
Computer information sys.	23,809	1,593	1,419	26,821	15,456	2,471	1,300	19,227
Depreciation	105,438	1,066		106,504	91,562	925		92,487
Client expenses	15,727		2,031	17,758	28,103		713	28,816
Other	4,400	4,385	1,570	10,355	4,288	5,653	1,503	11,444
TOTAL FUNCTIONAL EXPENSES	\$ 1,026,190	\$ 119,481	\$ 154,305	\$ 1,299,976	\$ 1,092,836	\$ 118,126	\$ 150,259	\$ 1,361,221

See notes to financial statements.

**SHEFFIELD PLACE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 188,520	\$ 140,488
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	106,504	92,487
Changes in operating assets and liabilities:		
Grants receivable	(44,555)	22,458
Promises receivable	(22,768)	(4,705)
Accounts payable	(2,921)	940
Accrued payroll expenses and withholdings	(16,122)	12,736
Accrued vacation pay		6,636
Client accounts	<u>(964)</u>	<u>(1,490)</u>
Net cash provided by operating activities	207,694	269,550
CASH FLOWS FROM INVESTING ACTIVITIES -		
Purchase of property and equipment	<u>(208,003)</u>	<u>(235,240)</u>
Net cash used in investing activities	<u>(208,003)</u>	<u>(235,240)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(309)	34,310
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>719,035</u>	<u>684,725</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 718,726</u>	<u>\$ 719,035</u>

See notes to financial statements.

SHEFFIELD PLACE

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. DESCRIPTION OF THE ORGANIZATION

Nature of Activities – Sheffield Place is a Missouri nonprofit organization which operates a transitional housing program in Kansas City, Missouri. Its mission is to empower women and their children to break out of the cycle of homelessness and poverty and become self-sufficient.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents – For the purposes of the Statement of Cash Flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. All cash was held in a bank at December 31, 2017 and 2016.

Property and Equipment – The Organization capitalizes property and equipment with a cost over \$1,000. Maintenance and repairs are charged to expense. The Organization assesses the impairment of long-lived assets, which include improvements and equipment, whenever events or changes in the circumstances indicate that such assets might be impaired and the carrying value may not be recoverable.

Depreciation and amortization are computed on the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Facility and accessibility improvements	5-10 years
Furniture and equipment	5-7 years
Software	3 years
House	15 years

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor 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. No allowance for doubtful accounts was considered necessary at December 31, 2017 or 2016. All contributions receivable are expected to be collected within one year.

Promises to Give – Unconditional promises to give are recorded as revenues or gains in the period received and as assets or a decrease of liabilities, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no conditional promises to give as of December 31, 2017.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

In January 2013, the Organization signed a grant agreement whereby the Organization would be granted a house for use by the Organization, consistent with their mission. The grant agreement has restrictions on the use of the property for 15 years. Significant restrictions include: having comprehensive general liability insurance on the house, exclusively using the property for its charitable purposes, and housing individuals in the house within the financial limits as defined in the grant agreement. If any of these requirements are violated during the 15 year period, the house, including any improvements to the house, will be forfeited back to the grantor. Management believes the probability of the Organization failing to meet these requirements to be remote. Accordingly, the grant was recognized in the statement of activities at fair value as a temporarily restricted contribution. The grant is released from restrictions over the 15 year restriction period. For the year ended December 31, 2017 and 2016, \$2,703 was released from restrictions in each year.

Grant Revenues – The Organization receives a significant amount of revenue in the form of grants. The Organization recognizes grant funds received or receivable as revenue to the extent that related program expenses have been incurred. Grants receivable were \$93,003 and \$48,449 as of December 31, 2017 and 2016, respectively.

Client Accounts – Residents pay a security deposit upon moving into Sheffield Place, and remit a portion of their monthly income to the Organization as occupancy charges and as savings held on the resident's behalf. Upon departure from Sheffield Place, residents may be reimbursed for their security deposit and savings.

Income Taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income taxes has been recorded. The Organization accounts for uncertain tax positions in accordance with the provisions of Financial Accounting Standards Board ("FASB") Codification Topic *Income Taxes*. *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Foundation to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Organization and determined that no positions exist that require adjustment or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2014.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosures 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.

Date of Management's Review – Subsequent events have been evaluated through March 8, 2018, which is the date the financial statements were available to be issued, and there were no material events requiring recognition or disclosure.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2017	2016
Furniture and equipment	\$ 252,599	\$ 239,973
House	554,733	376,450
Facility improvements	1,096,495	1,079,400
Accessibility improvements	<u>403,726</u>	<u>403,726</u>
	2,307,553	2,099,549
Accumulated depreciation	<u>(1,441,705)</u>	<u>(1,335,201)</u>
	<u>\$ 865,848</u>	<u>\$ 764,348</u>

Depreciation expense totaled \$106,504 and \$92,487 for the years ended December 31, 2017 and 2016, respectively.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	2017	2016
Adult clinical studies	\$ 24,080	\$ 12,340
Asset acquisitions	12,312	22,671
Children's clinical services	57,939	61,150
Adult and children clinical services	67,690	53,153
House	27,032	29,735
Residential services	<u>3,000</u>	<u>3,000</u>
	<u>\$ 189,053</u>	<u>\$ 182,049</u>

Net assets of \$304,714 and \$306,644, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes, or by the passage of time. Net assets released from restrictions for the years ended December 31 were:

	2017	2016
Case management	\$ 1,000	\$ 25,070
Adult clinical studies	14,260	11,845
Asset acquisitions	28,659	97,632
Children's clinical services	79,095	94,522
Adult and children clinical services	175,997	67,172
House	2,703	2,703
Residential services	<u>3,000</u>	<u>7,700</u>
	<u>\$ 304,714</u>	<u>\$ 306,644</u>

5. RETIREMENT PLAN

The Organization has a retirement plan under Section 401(k) of the Internal Revenue Code. To become eligible, employees must complete one year of service (at least 1,000 hours) and must have attained age 21. Employer contributions are made at the Board's discretion and vest over six years. There were \$17,529 and \$12,800 in employer contributions in 2017 and 2016, respectively.

6. CONCENTRATIONS

The Organization recognized \$166,341 of revenue related to a grant from the U.S. Department of Housing and Urban Development for the year ended December 31, 2016. This funding represented approximately 11% of the Organization's revenues for the year ended December 31, 2016.

The Organization maintains over 50% its cash balances at one financial institution. At December 31, 2017, the balance was insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Organization's uninsured balance totaled \$217,583.

7. FEDERAL AWARDS

The Organization has received financial assistance from the U.S. Department of Housing and Urban Development, through direct grants, in the form of contracts, grants and awards to fund its activities. These activities are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with the terms and conditions specified in these agreements. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

8. RECENT ACCOUNTING STANDARDS UPDATE

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This update, which amends the requirements for financial statements and notes in *Topic 958, Not-For-Profit Entities*, require a Not-For-Profit (NFP) to:

- Present on the face of the Statement of Financial Position two classes of net assets as "net assets with donor restrictions" and "net assets without donor restrictions," rather than for the currently required three classes.

- Present on the face of the Statement of Activities and Change in Net Assets the amount of the change in each of the two classes of net assets (noted above) rather than that of the currently required three classes.
- Continue to present on the face of the Statement of Cash Flows the net amount of operating cash flows using either the direct or indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- Provide enhanced disclosures about (1) amounts and purposes of governing board designations that result in self-imposed limits on the use of resources without donor-imposed restrictions (2) composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources (3) qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date (4) quantitative information, either on the face of the Statement of Financial Position or in the notes, and additional qualitative information in the notes that communicates the availability of NFP's financial assets on the Statement of Financial Position to meet cash needs for general expenditures within one year of the Statement of Financial Position date (5) amounts of expenses by both their natural classification and their functional classification (6) report investment return net of external and direct internal investment expenses, and no longer require disclosure of those netted expenses (7) use, in absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption

The ASU is effective for the Organization's 2018 financial statements. The Organization is in the process of assessing the impact to the 2018 financial statements.
