

SHERIDAN HOUSE
FAMILY MINISTRIES, INC.
AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2017

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sheridan House Family Ministries, Inc. and Affiliates
Davie, Florida

We have audited the accompanying consolidated financial statements of Sheridan House Family Ministries, Inc. (a Florida nonprofit corporation) and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Directors
Sheridan House Family Ministries, Inc. and Affiliates
Davie, Florida

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sheridan House Family Ministries, Inc. and Affiliates as of December 31, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Lawrenceville, Georgia
April 24, 2018

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Consolidated Statement of Financial Position

December 31, 2017

ASSETS:

Cash and cash equivalents	\$	1,645,465
Prepaid expenses and other assets		211,929
Property held for sale		1,700,000
Property and equipment—net		14,967,028
Investments held for long-term purposes		823,230
Beneficial interest in perpetual trusts		643,100

Total Assets \$ 19,990,752

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable and accrued expenses	\$	72,896
Notes payable		1,621,501

1,694,397

Net assets:

Unrestricted:

Undesignated		3,127,019
Equity in property and equipment		13,345,527

16,472,546

Temporarily restricted		1,286,749
Permanently restricted		537,060

18,296,355

Total Liabilities and Net Assets \$ 19,990,752

See notes to consolidated financial statements

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT AND REVENUES:				
Support:				
Contributions	\$ 1,622,450	\$ 364,309	\$ -	\$ 1,986,759
Noncash contributions	935,323	74,880	-	1,010,203
Revenue:				
Special events revenue	1,001,583	-	-	1,001,583
Counseling revenue	235,754	-	-	235,754
Rental income	189,700	-	-	189,700
Investment income	3,852	85,887	-	89,739
Other income	137,712	-	-	137,712
Total Operating Support and Revenues	4,126,374	525,076	-	4,651,450
RECLASSIFICATIONS:				
Satisfaction of purpose restrictions	400,853	(400,853)	-	-
EXPENSES:				
Program services:				
Residential care services	1,373,137	-	-	1,373,137
Community services	433,666	-	-	433,666
Single parent ministries	815,629	-	-	815,629
Counseling services	541,159	-	-	541,159
	3,163,591	-	-	3,163,591
Supporting activities:				
Management and general	585,900	-	-	585,900
Fundraising and special events	638,851	-	-	638,851
Total Expenses	4,388,342	-	-	4,388,342
Change in Net Assets from Operations	138,885	124,223	-	263,108

(continued)

See notes to consolidated financial statements

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Consolidated Statements of Activities

(continued)

Year ended December 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NONOPERATING ACTIVITIES:				
Gain on sale of property and equipment	3,896,477	-	-	3,896,477
Gain on property held for sale	1,114,928	-	-	1,114,928
Change in value of beneficial interest in perpetual trusts	-	(19,600)	-	(19,600)
Change in Net Assets from Nonoperating Activities	5,011,405	(19,600)	-	4,991,805
Change in Net Assets	5,150,290	104,623	-	5,254,913
Net Assets, Beginning of Year	11,322,256	1,182,126	537,060	13,041,442
Net Assets, End of Year	\$ 16,472,546	\$ 1,286,749	\$ 537,060	\$ 18,296,355

See notes to consolidated financial statements

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 5,254,913
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	404,713
Gain on sale of property and equipment	(3,898,894)
Gain on property held for sale	(1,114,928)
Non-cash donations of property and equipment	(113,683)
Contributions restricted for long-term purposes	(364,309)
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	39,418
Beneficial interest in perpetual trusts	19,600
Accounts payable and accrued expenses	38,928
Net Cash Provided by Operating Activities	<u>265,758</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(486,845)
Purchases of investments	(80,449)
Proceeds from sale of property and equipment	1,020,694
Net Cash Provided by Investing Activities	<u>453,400</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Contributions restricted for long-term purposes	364,309
Repayments of notes payable	(151,662)
Net Cash Provided by Financing Activities	<u>212,647</u>

Net Change in Cash and Cash Equivalents 931,805

Cash and Cash Equivalents, Beginning of Year 713,660

Cash and Cash Equivalents, End of Year \$ 1,645,465

SUPPLEMENTAL DISCLOSURE:

Cash paid for interest \$ 188,317

NONCASH INVESTING AND FINANCING TRANSACTIONS:

Repayment of debt from proceeds from sale of property and equipment \$ 3,944,008

Reclassification of property and equipment—net as held for sale \$ 585,072

See notes to consolidated financial statements

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

1. NATURE OF ORGANIZATION:

Sheridan House Family Ministries, Inc. and Affiliates (the Organization) is the consolidated financial reporting entity for Sheridan House Family Ministries, Inc. (Sheridan House Family Ministries) and its subsidiaries, Sheridan House, Inc. (Sheridan House), and 54th Court Investments, LLC (54th Court LLC).

Sheridan House Family Ministries was incorporated in 2007 as a Florida not-for-profit corporation and is exempt from federal income tax on related activities under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable State law. Sheridan House Family Ministries is classified as a publicly supported organization, which is not a private foundation under section 509(a)(1) of the Code, and contributions to it are tax deductible within the limitations prescribed by the Code.

Sheridan House Family Ministries exists to honor Christ by serving the needs of children and families. Sheridan House Family Ministries accomplishes its objectives through the following program services:

Residential care services—our chief objective is to provide the structure and environment that allows the child to make the life changes necessary to accept responsibility for their behavior at home and school and develop essential life skills. It is also our desire to equip and educate the parents of our children so the child can graduate and re-enter the home successfully. Our deepest hope is that during this process each family member will come to know Jesus Christ as their Lord and Savior and experience the personal love that God has for each of them.

Community services—Sheridan House Family Ministries presents marriage and parenting seminars all across North America. These seminars are conducted for corporations, businesses, churches, public and private schools. Over 90,000 people attend annually. We also have resources necessary to navigate marriage and parenting from a healthy, biblical perspective. Sheridan House Family Ministries provides a number of resources including marriage and parenting books, CDs and DVDs.

Single parent ministries—since 1992, Sheridan House Family Ministries has partnered with local churches to serve single moms in need. We believe that single moms are this generation's "widows and orphans." Whether the need is spiritual, emotional, or financial, we strive to help meet the individual single mom in her specific area of need. In an effort to better meet needs, we offer intensive group training in areas such as finances, parenting, resume preparation, and interviewing skills, as well as meal planning on a budget and more. Our goal is that through this training we can help to equip these moms with the knowledge necessary for them to succeed in life.

Counseling services—if you or someone you know is facing a life challenge, the Sheridan Family House Ministries' Counseling Center is a safe place to turn to for guidance and support. Our staff consists of Christian licensed mental health professionals. For decades, our counseling center has provided confidential and professional services to people of all walks of life. We are careful to respond to each person's needs with love, honesty, respect, and integrity. The Counseling Center offers individual, marital, and family counseling to people seeking assistance with a full range of presenting issues.

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

1. NATURE OF ORGANIZATION, continued:

Sheridan House was incorporated in 1969 as a Florida not-for-profit corporation and is exempt from federal income tax under Section 501(c)(3) of the Code and comparable State law. The purpose of Sheridan House is to support the ministries of Sheridan House Family Ministries. Sheridan House is classified as a publicly supported organization, which is not a private foundation under section 509(a)(1) of the Code, and contributions to it are tax deductible within the limitations prescribed by the Code. It is also classified as a Type II supporting organization under Section 509(a)(3). Control of Sheridan House by Sheridan House Family Ministries is complete because a majority of the Sheridan House board of directors are members of the Sheridan House Family Ministries board of directors.

54th Court LLC was incorporated in 2015 as a Florida limited liability company. The purpose of 54th Court LLC is to hold certain contributed funds until their ultimate disposition. Control of 54th Court LLC by Sheridan House is complete because Sheridan House is the sole voting member of 54th Court LLC. 54th Court LLC owns 5% of a certain for-profit entity, the earnings of which are contributed to a certain unrelated non-profit foundation for the benefit of the Organization. The for-profit entity is not consolidated in these consolidated financial statements due to a lack of control by the Organization. There was no activity for 54th Court LLC for the year ended December 31, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the operations of Sheridan House Family Ministries, Sheridan House, and 54th Court LLC. All significant inter-company balances and transactions have been eliminated.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents consist of cash held in checking, savings, and other highly liquid accounts with original maturities of less than 90 days. While occasionally deposits may be in excess of federally insured limits, the Organization has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents. All cash held in investment brokerage accounts is considered investments for purposes of the consolidated financial statements.

PROPERTY HELD FOR SALE

During the year ended December 31, 2017, the board of directors of the Organization committed to a plan to sell a certain piece of property located in the city of Southwest Ranches, Florida. The property was available immediately for sale and was actively marketed at a price that was reasonable in relation to its current fair value. Fair market value was determined to be \$1,700,000 based on active offers. The property and equipment-net was adjusted to this fair market value and presented as held for sale in the accompanying consolidated statement of financial position with the resulting gain being presented in the accompanying consolidated statement of activity.

PROPERTY AND EQUIPMENT-NET

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. Repairs and maintenance and small equipment purchases are expensed as incurred. Expenditures that significantly increase asset value or extend useful lives are capitalized. Acquisitions of property and equipment in excess of \$400 that meet the capitalization requirements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included in the consolidated statement of activities.

INVESTMENTS HELD FOR LONG-TERM PURPOSES

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Interest and dividend income and the realized and unrealized gain or loss on investments is reported as temporarily restricted investment income (loss) in the accompanying consolidated statement of activities. Other investments are reported at cost. Donated investments are recorded at market value at the date of donation and thereafter carried in conformity with the stated policy.

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Organization is the beneficiary of certain perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Organization has the irrevocable right to receive the remaining assets at the termination of the trust. The Organization's estimate of fair value is based on fair value information received from the trustees. These assets are not subject to the control or direction of the Organization. Gains and losses, which are not distributed by the trusts, are reflected as change in value of beneficial interests in perpetual trusts in the statement of activities. Distributions received from the trustee are temporarily restricted. The Organization recognizes an asset for the estimated present value of its benefits under the arrangements. Periodic adjustments are made for changes in estimated present value using applicable mortality tables and discount rates.

CLASSES OF NET ASSETS

The consolidated financial statements report amounts by class of net assets:

Unrestricted amounts are currently available at the discretion of the board of directors for use in operations. Equity in property and equipment represent amounts invested in property and equipment net of related debt.

Temporarily restricted amounts are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

Permanently restricted are contributed with donor restrictions requiring that they be held in perpetuity with income used for general ministry purposes.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received or ownership of donated assets is transferred to the Organization.

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 amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as reclassifications.

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

The Organization reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated goods (including securities) are recorded at fair value at the date of the gift. Donated goods consist primarily of food and beverages donated from area grocery stores for use in the residential care services and single parent ministries programs.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of the Organization have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

3. INVESTMENTS HELD FOR LONG-TERM PURPOSES:

Investments consist of:

Carried at lower of cost or fair value:

Cash and cash equivalents	\$ 17,301
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Carried at fair value:

Mutual funds	496,499
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Equities	309,430
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	<u>\$ 823,230</u>
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Investment income consists of:

Interest and dividends	\$ 27,572
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Realized and unrealized gains on investments—net	62,167
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	<u>\$ 89,739</u>
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During the year ended December 31, 2017, the Organization paid \$5,440 in investment brokerage fees.

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

4. PREPAID EXPENSES AND OTHER ASSETS:

Prepaid expenses and other assets consist of:

Accounts receivable	\$	11,448
Inventory		48,431
Prepaid expenses		66,284
Cash surrender value of life insurance policies		85,766
		<hr/>
	\$	211,929
		<hr/> <hr/>

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consist of:

Land and improvements	\$	10,052,586
Buildings and improvements		7,472,095
Furniture, fixtures and equipment		993,290
		<hr/>
		18,517,971
Less accumulated depreciation		(4,255,618)
		<hr/>
		14,262,353
Construction in progress		704,675
		<hr/>
Property and equipment—net		14,967,028
Less note payable—net		(1,621,501)
		<hr/>
Equity in property and equipment	\$	13,345,527
		<hr/> <hr/>

6. BANK LINE OF CREDIT:

Effective September 2015, the Organization has a \$300,000 revolving working capital line of credit that is due on demand, subject to renewal in September 2018, and bears interest at a variable rate of the published Wall Street Journal prime plus 100 basis points, with a floor of 4.25% (5.5% at December 31, 2017). Borrowings under this line of credit are not collateralized. For the year ended December 31, 2017, there were no outstanding borrowings under this line of credit.

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

7. NOTES PAYABLE:

Notes payable consists of:

Promissory note payable to a certain financial institution with an original balance of \$6,745,699; collateralized by certain real property; bears interest at a fixed rate of 4.5%; monthly payments of principal and interest in the amount of \$9,093, with a final payment of all unpaid principal and accrued interest due at maturity in February 2022.	\$ 1,610,357
Vehicle note payable; collateralized by certain vehicle; bears interest at 2.74%; monthly payments of principal and interest through maturity in May 2019.	11,144
	\$ 1,621,501

Per the promissory note payable, the Organization is required to meet certain time covenants. As of December 31, 2017, all time covenants have been met.

Notes payable are estimated to mature as follows:

Year Ending December 31,	Amount
2018	\$ 51,319
2019	42,732
2020	41,220
2021	43,114
2022	1,443,116
	\$ 1,621,501

8. NET ASSETS:

Net assets consist of:

Unrestricted:	
Undesignated	\$ 3,127,019
Equity in property and equipment	13,345,527
	16,472,546

(continued)

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

8. NET ASSETS, continued:

Temporarily restricted:

Beneficial interest in trusts	643,100
Capital projects	264,179
Gift-in-kind donations	74,880
Counseling center	18,420
Unexpended endowment earnings	286,170
	<u>1,286,749</u>

Permanently restricted—endowment funds	<u>537,060</u>
	<u>\$ 18,296,355</u>

9. EMPLOYEE BENEFIT PLAN:

The Organization offers all eligible employees the opportunity to participate in a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) Plan (the Plan). The Plan allows voluntary employee contributions and includes employer matching contributions of up to 3%. For the year ended December 31, 2017, the Organization made contributions of \$34,910 to the Plan.

10. COMMITMENTS:

OPERATING LEASES

The Organization leases certain office equipment and property under non-cancelable operating lease agreements. Rental and lease expenses totaled \$8,720 for the year ended December 31, 2017. Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2017, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 6,671
2019	<u>3,493</u>
	<u>\$ 10,164</u>

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

11. ENDOWMENT FUNDS:

The Organization's endowment consists of 3 donor gifts restricted for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 286,170</u>	<u>\$ 537,060</u>	<u>\$ 823,230</u>

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

11. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2017	\$ -	\$ 205,723	\$ 537,060	\$ 742,783
Investment return:				
Interest and dividend income	-	23,748	-	23,748
Realized and unrealized gains	-	62,139	-	62,139
	-	85,887	-	85,887
Expenditures	-	(5,440)	-	(5,440)
Endowment net assets, December 31, 2017	\$ -	\$ 286,170	\$ 537,060	\$ 823,230

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

Permanently restricted net assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA

\$ 537,060

Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:

With purpose restrictions

\$ 286,170

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

11. ENDOWMENT FUNDS, continued:

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of that nature as of December 31, 2017.

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board, the endowment assets are invested with the primary objective of preservation of corpus and the secondary objective of reasonable earnings that are consistent with prudent levels of risk.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policies and how the investment objectives relate to spending policy: The Organization appropriates earnings each year based upon the stated purpose and policy established for each endowment fund. The amount of the appropriation is consistent with maintaining the corpus of the endowment plus inflation as measured by the Consumer Price Index on an accrued basis. When earnings for any year are less than the amount designated for appropriation, the amount of appropriation is reduced or eliminated in order to preserve the corpus plus inflation.

12. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 and Level 2 inputs are not available.

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

12. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017:

	Fair Value Measurements at			
	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds:				
Global equity	\$ 121,793	\$ 121,793	\$ -	\$ -
Fixed income	286,170	286,170	-	-
Other	88,536	88,536	-	-
	496,499	496,499	-	-
Equities:				
International	96,839	96,839	-	-
Large-cap	110,395	110,395	-	-
Mid-cap	65,991	65,991	-	-
Other	36,205	36,205	-	-
	309,430	309,430	-	-
	\$ 805,929	\$ 805,929	\$ -	\$ -

Methods and assumptions used by the Organization in estimating fair values are as follows:

Valuation techniques: Fair values for mutual funds and equities are determined by reference to quoted market prices and other relevant information generated by market transactions.

Changes in valuation techniques: None.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the period. For the year ended December 31, 2017, there were no transfers in or out of Levels 1, 2, or 3.

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017

13. **RELATED PARTY TRANSACTIONS:**

A certain director of the Organization board is also the owner of a construction firm, which provided services to the Organization during the year ended December 31, 2017. During the year ended December 31, 2017, payments in the total amount of \$75,492 were made to the construction firm. This relationship was approved by the Organization board of directors.

14. **SUBSEQUENT EVENTS:**

During March 2018, the property that was held for sale as of December 31, 2017, was sold to an unrelated third party for substantially the same amount as it had been valued in the accompanying consolidated statement of financial position.

Subsequent events have been evaluated through April 24, 2018, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Sheridan House Family Ministries, Inc. and Affiliates
Davie, Florida

We have audited the consolidated financial statements of Sheridan House Family Ministries, Inc. and Affiliates as of and for the year ended December 31, 2017, and our report thereon dated April 24, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of functional expenses, consolidating statement of financial position, and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Lawrenceville, Georgia
April 24, 2018

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Schedule of Functional Expenses

Year Ended December 31, 2017

	Program Services				Supporting Activities			Total Expenses
	Residential Care Services	Community Services	Single Parent Ministries	Counseling Services	Total Program Services	Management and General	Fundraising and Special Events	
Salaries, taxes, and benefits	\$ 765,459	\$ 116,250	\$ 208,730	\$ 167,847	\$ 1,258,286	\$ 260,708	\$ 209,958	\$ 1,728,952
Facilities and occupancy	54,091	4,363	7,993	6,334	72,781	12,843	7,734	93,358
Depreciation	199,322	62,753	12,567	69,772	344,414	44,151	16,148	404,713
Insurance	72,524	9,824	17,701	14,194	114,243	35,325	17,151	166,719
Repairs and maintenance	26,359	1,709	3,131	2,482	33,681	83,923	3,030	120,634
Food and household	51,521	-	-	-	51,521	994	-	52,515
Education and recreation	25,026	-	-	-	25,026	-	-	25,026
Vehicles expenses	11,078	657	1,203	954	13,892	8,636	1,164	23,692
Interest expense	88,856	32,269	3,325	33,917	158,367	21,730	7,481	187,578
Property taxes and other	-	-	-	-	-	36,289	-	36,289
Technology costs	26,270	4,154	7,609	6,030	44,063	9,279	7,364	60,706
Development costs	-	-	-	-	-	-	173,252	173,252
Office supplies and expense	2,421	879	91	924	4,315	32,303	204	36,822
Contract and professional services	23,710	4,423	4,732	5,640	38,505	26,621	4,836	69,962
Social services, taxes and licenses	150	186,816	547,561	223,007	957,534	6,654	-	964,188
Bad debt expense	26,350	9,569	986	10,058	46,963	6,444	2,218	55,625
	<u>1,373,137</u>	<u>433,666</u>	<u>815,629</u>	<u>541,159</u>	<u>3,163,591</u>	<u>585,900</u>	<u>450,540</u>	<u>4,200,031</u>
Special events	-	-	-	-	-	-	163,211	163,211
Cost of goods sold	-	-	-	-	-	-	25,100	25,100
Totals	<u>\$ 1,373,137</u>	<u>\$ 433,666</u>	<u>\$ 815,629</u>	<u>\$ 541,159</u>	<u>\$ 3,163,591</u>	<u>\$ 585,900</u>	<u>\$ 638,851</u>	<u>\$ 4,388,342</u>

See independent auditors' report on supplementary information

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Consolidating Statement of Financial Position

December 31, 2017

	Sheridan House Family Ministries	Sheridan House	54th Court LLC	Eliminations	Total
ASSETS:					
Cash and cash equivalents	\$ 804,206	\$ 841,259	\$ -	\$ -	\$ 1,645,465
Prepaid expenses and other assets	211,929	1,527,193	-	(1,527,193)	211,929
Property held for sale	-	1,700,000	-	-	1,700,000
Property and equipment–net	133,899	14,833,129	-	-	14,967,028
Investments held for long-term purposes	-	823,230	-	-	823,230
Beneficial interest in perpetual trusts	-	643,100	-	-	643,100
	\$ 1,150,034	\$ 20,367,911	\$ -	\$ (1,527,193)	\$ 19,990,752
LIABILITIES AND NET ASSETS:					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,600,089	\$ -	\$ -	\$ (1,527,193)	\$ 72,896
Notes payable	11,144	1,610,357	-	-	1,621,501
	1,611,233	1,610,357	-	(1,527,193)	1,694,397
Net assets:					
Unrestricted:					
Undesignated	(602,374)	3,729,393	-	-	3,127,019
Equity in property and equipment	122,755	13,222,772	-	-	13,345,527
	(479,619)	16,952,165	-	-	16,472,546
Temporarily restricted	18,420	1,268,329	-	-	1,286,749
Permanently restricted	-	537,060	-	-	537,060
	(461,199)	18,757,554	-	-	18,296,355
	\$ 1,150,034	\$ 20,367,911	\$ -	\$ (1,527,193)	\$ 19,990,752
Total Liabilities and Net Assets	\$ 1,150,034	\$ 20,367,911	\$ -	\$ (1,527,193)	\$ 19,990,752

See independent auditors' report on supplementary information

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Consolidating Statement of Activities

Year Ended December 31, 2017

	Sheridan House Family Ministries	Sheridan House	54th Court LLC	Eliminations	Total
CHANGE IN UNRESTRICTED NET ASSETS:					
OPERATING SUPPORT AND REVENUES:					
Support:					
Contributions	\$ 1,633,759	\$ 5,000	\$ -	\$ (16,309)	\$ 1,622,450
Noncash contributions	867,026	68,297	-	-	935,323
Revenue:					
Special events revenue	1,001,583	-	-	-	1,001,583
Counseling revenue	235,754	-	-	-	235,754
Rental income	17,200	292,500	-	(120,000)	189,700
Investment income	1,937	1,915	-	-	3,852
Other income	137,712	-	-	-	137,712
Total Operating Support and Revenues	3,894,971	367,712	-	(136,309)	4,126,374
RECLASSIFICATIONS:					
Satisfaction of purpose restrictions	26,448	374,405	-	-	400,853

(continued)

See independent auditors' report on supplementary information

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Consolidating Statement of Activities

Year Ended December 31, 2017

(continued)

	Sheridan House Family Ministries	Sheridan House	54th Court LLC	Eliminations	Total
EXPENSES:					
Program services:					
Residential care services	1,151,409	288,328	-	(66,600)	1,373,137
Community services	332,256	104,710	-	(3,300)	433,666
Single parent ministries	824,840	10,789	-	(20,000)	815,629
Counseling services	437,903	110,056	-	(6,800)	541,159
	2,746,408	513,883	-	(96,700)	3,163,591
Supporting activities:					
Management and general	543,396	70,513	-	(28,009)	585,900
Fundraising and special events	626,176	24,275	-	(11,600)	638,851
Total Expenses	3,915,980	608,671	-	(136,309)	4,388,342
Change in Unrestricted Net Assets from Operations	5,439	133,446	-	-	138,885
NONOPERATING ACTIVITIES:					
Gain on sale of property and equipment	-	3,896,477	-	-	3,896,477
Gain on property held for sale	-	1,114,928	-	-	1,114,928
Change in Unrestricted Net Assets from Nonoperating Activities	-	5,011,405	-	-	5,011,405
Change in Unrestricted Net Assets	5,439	5,144,851	-	-	5,150,290

(continued)

See independent auditors' report on supplementary information

SHERIDAN HOUSE FAMILY MINISTRIES, INC. AND AFFILIATES

Consolidating Statement of Activities

Year Ended December 31, 2017

(continued)

	Sheridan House Family Ministries	Sheridan House	54th Court LLC	Eliminations	Total
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:					
OPERATING SUPPORT AND REVENUES:					
Support:					
Contributions	\$ -	\$ 364,309	\$ -	\$ -	\$ 364,309
Noncash contributions	-	74,880	-	-	74,880
Revenue:					
Investment income	-	85,887	-	-	85,887
Total Support and Revenue	-	525,076	-	-	525,076
RECLASSIFICATIONS:					
Satisfaction of purpose restrictions	(26,448)	(374,405)	-	-	(400,853)
NONOPERATING ACTIVITIES:					
Change in value of beneficial interest in perpetual trusts	-	(19,600)	-	-	(19,600)
Change in Temporarily Restricted Net Assets from Nonoperating Activities	-	(19,600)	-	-	(19,600)
Change in Temporarily Restricted Net Assets	(26,448)	131,071	-	-	104,623
Change in Net Assets	(21,009)	5,275,922	-	-	5,254,913
Net Assets, Beginning of Year	(440,190)	13,481,632	-	-	13,041,442
Net Assets, End of Year	\$ (461,199)	\$ 18,757,554	\$ -	\$ -	\$ 18,296,355

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