

SHELTER CARE MINISTRIES, INC.

FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITOR'S REPORT

For the years ended June 30, 2017 and 2016

SHELTER CARE MINISTRIES, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Shelter Care Ministries, Inc.  
Rockford, Illinois

We have audited the accompanying financial statements of Shelter Care Ministries, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2017 and 2016 the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 Shelter Care Ministries, Inc. as of June 30, 2017 and 2016 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**SIEPERT & CO., LLP**

*Siepert & Co LLP*

Beloit, Wisconsin  
December 13, 2017

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SHELTER CARE MINISTRIES, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 12,944	\$ 23,404
Accounts receivable	94,099	216,366
Prepaid expenses	--	3,737
Property held for sale	<u>310,978</u>	<u>--</u>
Total current assets	418,021	243,507
Cash and cash equivalents designated for endowment	4,375	--
Property and equipment, net of accumulated depreciation of \$618,456 and \$629,499 respectively	<u>836,555</u>	<u>1,297,909</u>
Total assets	<u>\$1,258,951</u>	<u>\$1,541,416</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 21,187	\$ 46,768
Other liabilities	14,698	6,043
Accrued payroll liabilities	16,393	30,788
EEC loan	10,500	12,000
Current portion of notes payable	<u>330,008</u>	<u>58,345</u>
Total current liabilities	392,786	153,944
Notes payable, long term	<u>76,273</u>	<u>405,965</u>
Total liabilities	<u>469,059</u>	<u>559,909</u>
NET ASSETS		
Unrestricted:		
Board designated endowment	4,375	--
Undesignated	758,517	947,179
Temporarily restricted	<u>27,000</u>	<u>34,328</u>
Total net assets	<u>789,892</u>	<u>981,507</u>
Total liabilities and net assets	<u>\$1,258,951</u>	<u>\$1,541,416</u>

SHELTER CARE MINISTRIES, INC.

STATEMENT OF ACTIVITIES  
for the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating support and revenue:			
Contributions	\$ 229,790	\$27,000	\$ 256,790
Grants, state and local	487,271	--	487,271
In-kind contributions	183,250	--	183,250
Midtown rental income	124,931	--	124,931
Fundraising	50,643	--	50,643
Other income	5,174	--	5,174
Net assets released from:			
Time restrictions	<u>34,328</u>	( <u>34,328</u> )	<u>--</u>
Total operating support and revenue	<u>1,115,387</u>	( <u>7,328</u> )	<u>1,108,059</u>
Operating expenses:			
Programs:			
Homeless program:			
Emergency housing	154,433	--	154,433
Transitional housing	123,531	--	123,531
Permanent housing	96,049	--	96,049
Veteran housing	71,801	--	71,801
Jubilee drop-in center	263,186	--	263,186
MAYA's house	75,278	--	75,278
Bailey housing project	<u>115,572</u>	<u>--</u>	<u>115,572</u>
Total program expenses	899,850	--	899,850
Management and general	366,639	--	366,639
Fundraising	<u>33,185</u>	<u>--</u>	<u>33,185</u>
Total operating expenses	<u>1,299,674</u>	<u>--</u>	<u>1,299,674</u>
Change in net assets	( 184,287 )	( 7,328 )	( 191,615 )
Net assets, beginning of year	<u>947,179</u>	<u>34,328</u>	<u>981,507</u>
Net assets, end of year	<u>\$ 762,892</u>	<u>\$27,000</u>	<u>\$ 789,892</u>

SHELTER CARE MINISTRIES, INC.

STATEMENT OF ACTIVITIES  
for the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating support and revenue:			
Contributions	\$ 405,196	\$34,328	\$ 439,524
Grants, state and local	449,139	--	449,139
In-kind contributions	166,045	--	166,045
Midtown rental income	117,291	--	117,291
Fundraising	58,504	--	58,504
Other income	3,385	--	3,385
Net assets released from:			
Time restrictions	<u>42,307</u>	( <u>42,307</u> )	<u>--</u>
Total operating support and revenue	<u>1,241,867</u>	( <u>7,979</u> )	<u>1,233,888</u>
Operating expenses:			
Programs:			
Homeless program:			
Emergency housing	140,751	--	140,751
Transitional housing	85,752	--	85,752
Permanent housing	94,580	--	94,580
Veteran housing	80,100	--	80,100
Jubilee drop-in center	255,799	--	255,799
MAYA's house	64,203	--	64,203
Employment services	1,247	--	1,247
Bailey housing project	<u>87,698</u>	<u>--</u>	<u>87,698</u>
Total program expenses	810,130	--	810,130
Management and general	247,520	--	247,520
Fundraising	<u>37,372</u>	<u>--</u>	<u>37,372</u>
Total operating expenses	<u>1,095,022</u>	<u>--</u>	<u>1,095,022</u>
Change in net assets	146,845	( 7,979 )	138,866
Net assets, beginning of year	<u>800,334</u>	<u>42,307</u>	<u>842,641</u>
Net assets, end of year	<u>\$ 947,179</u>	<u>\$34,328</u>	<u>\$ 981,507</u>

SHELTER CARE MINISTRIES, INC

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM  
Year Ended June 30, 2017

	Homeless Program				Jubilee Drop-in Center
	Emergency Housing	Transitional Housing	Permanent Housing	Veterans Housing	
Client transportation	\$ 4,019	\$ 294	\$ --	\$ --	\$ 255
Client food	--	--	--	--	1,906
Client services	2,500	3,075	700	( 365)	300
Scattered site housing:					
Rent and utilities	48,044	65,171	61,463	45,840	--
Furnishings	3,020	--	2,467	6,300	--
Maintenance	5,601	3,086	510	164	25
Salaries	54,851	31,418	28,112	18,072	128,269
Auto and truck	375	50	--	--	481
Program supplies	--	--	--	--	2,737
In-kind program supplies	15,443	15,443	--	--	15,442
Dues, publications and seminars	738	--	--	--	310
Office expense	--	--	--	--	47
Insurance	12,392	190	1,897	1,194	6,391
Professional fees	--	--	--	--	1,475
Payroll taxes	6,859	2,023	509	309	13,797
Travel	--	--	--	--	65
Repairs and maintenance	--	--	--	--	1,285
Rent and utilities	--	--	--	--	--
In-kind rent	--	--	--	--	61,980
Telephone	591	--	391	287	923
Advertising	--	--	--	--	--
Fundraising	--	--	--	--	--
Interest expense	--	--	--	--	--
Bad debt expense	--	--	--	--	--
Miscellaneous	--	--	--	--	2,456
<b>Total expenses before asset impairment and depreciation</b>	<b>154,433</b>	<b>120,750</b>	<b>96,049</b>	<b>71,801</b>	<b>238,144</b>
Asset impairment	--	--	--	--	--
Depreciation	--	2,781	--	--	25,042
<b>Total expenses</b>	<b><u>\$154,433</u></b>	<b><u>\$123,531</u></b>	<b><u>\$96,049</u></b>	<b><u>\$71,801</u></b>	<b><u>\$263,186</u></b>

See accompanying notes to financial statements.

<u>MAYA'S House</u>	<u>Bailey Housing Project</u>	<u>Total Program Expenses</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ --	\$ --	\$ 4,568	\$ --	\$ --	\$ 4,568
--	--	1,906	--	--	1,906
--	--	6,210	--	--	6,210
--	--	220,518	--	--	220,518
--	--	11,787	--	--	11,787
--	--	9,386	--	--	9,386
36,810	--	297,532	95,135	--	392,667
--	--	906	6,441	--	7,347
903	--	3,640	--	--	3,640
15,442	--	61,770	--	--	61,770
100	--	1,148	2,136	--	3,284
277	--	324	9,566	--	9,890
1,274	6,054	29,392	15,048	--	44,440
425	2,143	4,043	30,179	26,240	60,462
3,535	--	27,032	11,536	--	38,568
--	--	65	100	--	165
--	52,379	53,664	4,120	--	57,784
3,120	22,641	25,761	--	--	25,761
10,800	--	72,780	14,302	--	87,082
1,420	--	3,612	7,166	--	10,778
--	--	--	2,555	--	2,555
--	--	--	--	6,945	6,945
--	16,501	16,501	6,721	--	23,222
--	--	--	23,373	--	23,373
<u>320</u>	<u>--</u>	<u>2,776</u>	<u>1,704</u>	<u>--</u>	<u>4,480</u>
74,426	99,718	855,321	230,082	33,185	1,118,588
--	--	--	131,623	--	131,623
<u>852</u>	<u>15,854</u>	<u>44,529</u>	<u>4,934</u>	<u>--</u>	<u>49,463</u>
<u>\$75,278</u>	<u>\$115,572</u>	<u>\$899,850</u>	<u>\$366,639</u>	<u>\$33,185</u>	<u>\$1,299,674</u>



SHELTER CARE MINISTRIES, INC

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM  
Year Ended June 30, 2016

	<u>Homeless Program</u>				Jubilee Drop-in Center
	<u>Emergency Housing</u>	<u>Transitional Housing</u>	<u>Permanent Housing</u>	<u>Veterans Housing</u>	
Client transportation	\$ 1,288	\$ 37	\$ --	\$ --	\$ 210
Client food	--	--	--	--	1,278
Client services	--	--	--	4,076	210
Scattered site housing:					
Rent and utilities	43,952	33,477	53,910	41,005	--
Furnishings	625	--	4,565	11,602	--
Maintenance	13,600	315	1,599	1,227	23
Salaries	47,465	21,959	32,057	21,192	119,977
Auto and truck	430	242	--	--	574
Program supplies	--	--	--	--	2,882
In-kind program supplies	20,014	20,014	--	--	20,013
Dues, publications and seminars	--	--	--	--	187
Office expense	45	45	--	--	55
Insurance	6,302	6,380	2,449	998	9,925
Professional fees	--	--	--	--	436
Payroll taxes	5,520	--	--	--	10,419
Travel	472	--	--	--	--
Repairs and maintenance	--	--	--	--	805
Rent and utilities	--	--	--	--	--
In-kind rent	--	--	--	--	61,980
Telephone	1,038	1,038	--	--	1,371
Advertising	--	--	--	--	--
Outside services	--	--	--	--	82
Fundraising	--	--	--	--	10
Interest expense	--	--	--	--	--
Miscellaneous	--	--	--	--	320
Bad debt expense	--	--	--	--	--
Total expenses before depreciation	140,751	83,507	94,580	80,100	230,757
Depreciation	--	2,245	--	--	25,042
Total expenses	<u>\$140,751</u>	<u>\$85,752</u>	<u>\$94,580</u>	<u>\$80,100</u>	<u>\$255,799</u>

See accompanying notes to financial statements.

<u>MAYA'S</u> <u>House</u>	<u>Employment</u> <u>Services</u>	<u>Bailey</u> <u>Housing</u> <u>Project</u>	<u>Total</u> <u>Program</u> <u>Expenses</u>	<u>Management</u> <u>and general</u>	<u>Fundraising</u>	<u>Total</u> <u>Expenses</u>
\$ --	\$ --	\$ --	\$ 1,535	\$ --	\$ --	\$ 1,535
93	--	--	1,371	--	--	1,371
--	--	--	4,286	--	--	4,286
--	--	--	172,344	--	--	172,344
--	--	--	16,792	--	--	16,792
--	--	--	16,764	--	--	16,764
21,784	--	--	264,434	138,960	--	403,394
--	--	--	1,246	4,582	--	5,828
704	--	--	3,586	--	--	3,586
20,014	--	--	80,055	--	--	80,055
40	--	--	227	823	--	1,050
180	--	--	325	7,038	--	7,363
1,893	--	10,502	38,449	17,563	--	56,012
--	297	--	733	18,375	25,640	44,748
2,201	--	--	18,140	15,574	--	33,714
--	--	--	472	--	--	472
--	--	17,492	18,297	--	--	18,297
3,120	950	19,850	23,920	--	--	23,920
10,800	--	--	72,780	13,210	--	85,990
2,148	--	--	5,595	7,814	--	13,409
--	--	--	--	43	--	43
--	--	--	82	--	--	82
--	--	--	10	--	11,732	11,742
--	--	23,464	23,464	7,423	--	30,887
735	--	--	1,055	136	--	1,191
<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>10,557</u>	<u>---</u>	<u>10,557</u>
63,712	1,247	71,308	765,962	242,098	37,372	1,045,432
<u>491</u>	<u>---</u>	<u>16,390</u>	<u>44,168</u>	<u>5,422</u>	<u>---</u>	<u>49,590</u>
<u>\$64,203</u>	<u>\$1,247</u>	<u>\$87,698</u>	<u>\$810,130</u>	<u>\$247,520</u>	<u>\$37,372</u>	<u>\$1,095,022</u>

SHELTER CARE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS  
for the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$191,615)	\$138,866
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contribution of property and equipment	( 28,938)	--
Loss on disposal of asset	205	--
Depreciation	49,463	49,590
Write down impaired asset	131,623	--
Accounts receivable	122,267	( 60,174)
Prepaid expenses	3,737	2,891
Accounts payable	( 25,581)	( 38,201)
Accrued payroll liabilities	( 14,395)	18,383
Other liabilities	<u>8,655</u>	<u>( 27,003)</u>
Net cash from operating activities	<u>55,421</u>	<u>84,352</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	( <u>1,977</u> )	( <u>7,169</u> )
Net cash from investing activities	( <u>1,977</u> )	( <u>7,169</u> )
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	--	( 50,000)
Payments on EEC loan	( 1,500)	( 1,000)
Payments on notes payable	( <u>58,029</u> )	( <u>4,206</u> )
Net cash from financing activities	( <u>59,529</u> )	( <u>55,206</u> )
Net change in cash and cash equivalents	( 6,085)	21,977
Cash and cash equivalents, beginning of year	<u>23,404</u>	<u>1,427</u>
Cash and cash equivalents, end of year	<u>\$ 17,319</u>	<u>\$ 23,404</u>

\*Supplemental Information:

Interest paid in 2017 and 2016 was \$23,223 and \$30,887, respectively.

The value of donated property and equipment in 2017 and 2016 was \$28,938 and \$0, respectively.

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1

NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Founded in 1985, Shelter Care Ministries, Inc. is incorporated as an Illinois not-for-profit whose mission is to provide shelter, awaken hope and honor dignity in every person who seeks comfort, support or assistance through our programs. The Organization's focus is on individuals with a chronic mental illness and families that are homeless in the Winnebago/Boone County area.

ACCOUNTING POLICIES

Basis of Accounting

The financial statements are presented on the accrual basis of accounting in which revenue is recognized when earned and expenses are recorded when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Unconditional Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in unrestricted net assets if the restriction is fulfilled in the fiscal year in which the contribution is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets when a restriction is met. Conditional promises to give are not recognized until substantially all conditions are met. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made and the prior years' experience.

Donated Assets and Services

The Organization records in-kind support for donated assets and services in the statement of activities at their estimated fair value at the date of receipt. Contributed professional services are recognized if the services (a) create or enhance a long-lived asset or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Property and Equipment

Additions of property and equipment of \$1,000 or more are recorded at cost if purchased or fair market value as of the date donated. Contributions of property and equipment are recorded as unrestricted support, absent donor stipulations regarding how long the assets must be used. Expenses for maintenance, repairs and improvements which do not significantly extend the useful lives of the assets are charged to operations as incurred. Depreciation is provided on the straight-line method over the assets' estimated useful lives which range from 5 to 39 years.

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE I NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, Continued

ACCOUNTING POLICIES, Continued

Functional Allocation of Expenses

Direct identifiable expenses are charged to program, management and general or fundraising expenses. Expenses related to more than one function are charged to program, management and general or fundraising expense on the basis of time records, square footage, and estimates made by the Organization's management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Costs

It is the Organization's policy to expense advertising costs as incurred. Advertising costs were \$2,555 and \$43 in 2017 and 2016, respectively.

Income Tax

The Organization is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code as other than a private foundation, and from state income taxes under a similar code.

Use of Estimates by Management

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 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.

NOTE II SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2017 which was the date these financial statements were available for issuance, and determined that there were no significant non-recognized events through that date.

NOTE III ACCOUNTS RECEIVABLE

The following summarizes accounts receivable as of June 30:

	<u>2017</u>	<u>2016</u>
Accounts receivable-Midtown	\$ 4,030	\$ 2,901
Grants receivable	34,558	139,137
Pledges receivable	15,000	40,000
Property receivable	5,460	--
Other receivables	8,051	--
United Way receivable	<u>27,000</u>	<u>34,328</u>
Total	<u>\$94,099</u>	<u>\$216,366</u>

SHELTER CARE MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE IV PROPERTY AND EQUIPMENT

The following summarizes property, equipment and accumulated depreciation at June 30:

	<u>7/01/16</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/17</u>
Non-depreciable:				
Land	\$ 63,451	\$ 2,900	(\$ 47,700)	\$ 18,651
Depreciable:				
Buildings and improvements	1,727,414	23,400	( 430,552)	1,320,262
Vehicles	45,240	2,938	( 25,360)	22,818
Equipment, furnishings and fixtures	<u>91,303</u>	<u>1,977</u>	<u>--</u>	<u>93,280</u>
	1,927,408	31,215	( 503,612)	1,455,011
Accumulated depreciation	( <u>629,499</u> )	( <u>49,463</u> )	<u>60,506</u>	( <u>618,456</u> )
Net property and equipment	<u>\$1,297,909</u>	( <u>\$18,248</u> )	( <u>\$443,106</u> )	<u>\$ 836,555</u>
	<u>7/01/15</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/16</u>
Non-depreciable:				
Land	\$ 63,451	\$ --	\$ --	\$ 63,451
Depreciable:				
Buildings and improvements	1,727,414	--	--	1,727,414
Vehicles	45,240	--	--	45,240
Equipment, furnishings and fixtures	<u>84,134</u>	<u>7,169</u>	<u>--</u>	<u>91,303</u>
	1,920,239	7,169	--	1,927,408
Accumulated depreciation	( <u>579,909</u> )	( <u>49,590</u> )	<u>--</u>	( <u>629,499</u> )
Net property and equipment	<u>\$1,340,330</u>	( <u>\$42,421</u> )	\$ <u>--</u>	<u>\$1,297,909</u>

Depreciation charged to operations in 2017 and 2016 was \$49,463 and \$49,590, respectively.

NOTE V INCOME TAXES

The Organization follows the requirements for accounting for uncertain tax positions issued by the Financial Accounting Standards Board (FASB). The Organization does not believe the financial statements include (or reflect) any uncertain tax positions. The Organization files tax returns for the United States and Illinois and is subject to examination by taxing authorities. The Organization's tax returns beginning in 2013 are open, by statute, for review by authorities. However, at present there are no ongoing income tax audits or unresolved disputes with the various tax authorities the Organization currently files or has filed with.

NOTE VI OPERATING LEASES

The Organization leases scattered site housing under various short-term agreements. Rent and utilities for this housing totaled \$220,518 and \$172,162 for the years ended June 30, 2017 and 2016, respectively.

The Organization leases a copier under a non-cancelable operating lease. The lease requires monthly payments of \$143 for five years, terminating in June 2019.

SHELTER CARE MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE VII LONG-TERM DEBT

The following summarizes long-term debt as of June 30:

	<u>2017</u>	<u>2016</u>
Commercial note payable in monthly installments of \$959 including principal and interest at 5.0%, unpaid balance due July 2020, collateralized by all the assets of the Organization	\$ 32,803	\$ 42,385
Mortgage payable in monthly installments of \$1,011 including principal and interest at 5.5%, unpaid balance due September 2018, collateralized by land	62,500	70,906
Mortgage payable in monthly installments of \$2,703 including principal and interest at 5%, unpaid balance due December 2026, collateralized by real estate	241,185	260,853
Mortgage payable in monthly installments of \$716 including principal and interest at 5%, unpaid balance due December 2017, collateralized by real estate	69,793	74,706
Mortgage payable in monthly installments of \$1,324 including principal and interest at 5%, unpaid balance due June 2017, collateralized by real estate	-----	<u>15,460</u>
	406,281	464,310
Less current maturities	<u>330,008</u>	<u>58,345</u>
	<u>\$ 76,273</u>	<u>\$405,965</u>

The following is a schedule of future interest and principal payments:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/18	<u>\$330,008</u>	<u>\$4,618</u>	<u>\$334,626</u>
6/30/19	64,197	1,379	65,576
6/30/20	11,164	349	11,513
6/30/21	<u>912</u>	<u>4</u>	<u>916</u>
	<u>76,273</u>	<u>1,732</u>	<u>78,005</u>
	<u>\$406,281</u>	<u>\$6,350</u>	<u>\$412,631</u>

During 2016 the Organization's \$50,000 line of credit was converted to a commercial note payable.

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE VIII BOARD DESIGNATED ENDOWMENT

The Organization's endowment consists of Board designated funds intended to provide an additional source of support for the Organization's activities. Management has determined these funds meet the definition of an endowment fund under UPMIFA. As required by generally accepted accounting principles, net assets associated with the endowment are classified and reported based on the existence or absence of original donor-imposed restrictions.

The Organization's management has interpreted IL UPMIFA as requiring the preservation of the fair value of original gifts as of the gift date of 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 permanent endowments, (b) the original value of subsequent gifts to permanent endowments, 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. Remaining portions of donor-restricted endowment funds not classified in permanently restricted net assets are 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 IL UPMIFA. At June 30, 2017 the Organization had no donor-imposed permanently restricted endowments.

*Investment Return Objective, Risk Parameters and Strategies:* The Organization has adopted an informal investment policy for endowment assets that attempts to provide a predictable stream of funding to its program. Accordingly, the investment process seeks to achieve an after-cost total real rate of return with acceptable levels of risk.

Endowment assets are invested in mutual funds and are intended to result in a consistent rate of return and sufficient liquidity to make distributions when necessary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

*Spending Policy:* Amounts appropriated for spending are determined by investment earnings and the Organization's management.

Total Board designated endowment funds were \$4,375 at June 30, 2017.

NOTE IX TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the United Way pledges receivable of \$27,000 and \$34,328 at June 30, 2017 and 2016, respectively.

NOTE X FAIR VALUE MEASUREMENTS

The Organization follows the authoritative guidance issued by the Financial Accounting Standards Board which defines fair value, establishes a framework for measuring fair value by providing a hierarchy used to classify the source of the information measuring fair value and expands disclosures about fair value measurements.



SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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NOTE X FAIR VALUE MEASUREMENTS. Continued

Assets and liabilities carried at fair value are classified and disclosed in one of the following categories:

- Level 1 – Quoted market prices in active markets for identical assets and liabilities.
- Level 2 – Observable market based inputs or observable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data.

At June 30, 2017 and 2016 cash and cash equivalents of \$17,319 and \$23,404, classified as Level 1, were the only assets or liabilities measured at fair value on a recurring basis.

NOTE XI IMPAIRMENT OF ASSETS

During 2017 management determined the Bailey Project was using significant amounts of cash and creating negative cash flow. As a result, in June management notified the financial institution they intended to default on the two mortgages that were secured by the six Bailey Project properties and would cease making mortgage payments, effective July 1, 2017. Subsequent negotiations with the financial institution resulted in the properties being sold in December for \$175,000 and the balances of the mortgages being forgiven.

At June 30, 2017 the Organization wrote the impaired assets down to their net realizable value of \$310,978 and reclassified them as properties held for sale. This resulted in a charge against earnings of \$131,623.