

Shelter Care Ministries, Inc.

Financial Statements

Year Ended June 30, 2021



WIPFLI

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Shelter Care Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 from 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

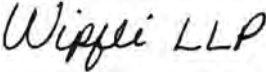
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shelter Care Ministries, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally 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 DATE XX, XXXX on our consideration of Shelter Care Ministries, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Shelter Care Ministries, Inc.'s 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 Shelter Care Ministries, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Shelter Care Ministries, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived

A handwritten signature in black ink that reads "Wipfli LLP".

Rockford, Illinois
December 20, 2021

Independent Auditor's 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*

Board of Directors
Shelter Care Ministries, Inc.
Rockford, 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 Shelter Care Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelter Care Ministries, Inc's internal control over financial reporting (internal control) as a basis for designing 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 Shelter Care Ministries, Inc's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelter Care Ministries, Inc'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 a 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, and 2021-003 to be significant deficiencies.

Compliance and Other Matters

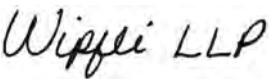
As part of obtaining reasonable assurance about whether Shelter Care Ministries, Inc's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Shelter Care Ministries, Inc's Response to Findings

Shelter Care Ministries Inc's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Shelter Care Ministries Inc's response was not subjected to our auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion of the effectiveness of the organization's internal control or on compliance. This 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.

A handwritten signature in black ink that reads "Wipfli LLP".

Rockford, Illinois
December 20, 2021

Shelter Care Ministries, Inc.

Statement of Financial Position

<i>June 30, (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 267,209	\$ 201,639
Cash restricted for vehicle, housing, supportive program services, and passage of time	121,683	22,970
Accounts receivable and unconditional promises to give	256,655	69,207
Prepaid expenses	190	3,063
Property and equipment - net	734,622	753,062
Total assets	\$ 1,380,359	\$ 1,049,941
Liabilities		
Accounts payable	\$ 39	\$ -
Accrued expenses	43,667	35,123
Notes payable	-	27,892
Paycheck protection program loan payable	99,092	99,000
Refundable advance	47,965	-
Total liabilities	190,763	162,015
Net Assets		
Net assets without donor restrictions:		
Undesignated	1,067,913	862,439
Board designated	-	2,517
Net assets with donor restrictions	121,683	22,970
Total net assets	1,189,596	887,926
Total liabilities and net assets	\$ 1,380,359	\$ 1,049,941

See accompanying notes to financial statements.

Shelter Care Ministries, Inc.

Statement of Activities

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<i>For the Year Ended June 30, (with comparative totals for 2020)</i>				
Support and Revenue:				
Contributions	\$ 247,159	\$ 222,963	\$ 470,122	\$ 320,625
Governmental grants	489,681	-	489,681	496,127
Grants	270,815	-	270,815	114,865
In-kind contributions	176,546	-	176,546	177,647
Midtown rental income	42,651	-	42,651	39,032
Fundraising	47,752	-	47,752	50,602
Gain on sale of property and equipment	121	-	121	-
Other income	900	-	900	2,140
Net assets released from restrictions	124,250	(124,250)	-	
Total support and revenue	1,399,875	98,713	1,498,588	1,201,038
Expenses:				
Program services	927,318	-	927,318	901,033
Management and general	214,884	-	214,884	259,605
Fundraising	54,716	-	54,716	57,706
Total expenses	1,196,918	-	1,196,918	1,218,344
Change in net assets	202,957	98,713	301,670	(17,306)
Net assets, beginning of year	864,956	22,970	887,926	905,232
Net assets, end of year	\$ 1,067,913	\$ 121,683	\$ 1,189,596	\$ 887,926

See accompanying notes to financial statements.

Shelter Care Ministries, Inc.

Statement of Cash Flows

<i>For the Year Ended June 30, (with comparative totals for 2020)</i>	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 301,670	\$ (17,306)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	42,744	42,506
Gain on sale of property and equipment	(121)	-
Change in assets and liabilities:		
Accounts receivable	(187,448)	38,010
Prepaid expenses	2,873	(3,063)
Accounts payable	39	(721)
Accrued expenses	8,544	(3,004)
Refundable advance	47,965	-
Net cash flows from operating activities	216,266	56,422
Cash Flows from Investing Activities		
Purchase of property and equipment	(24,600)	(505)
Proceeds received from sale of property and equipment	417	-
Net cash flows from investing activities	(24,183)	(505)
Cash Flows from Financing Activities		
Principal payments on notes payable	(126,892)	(22,809)
Proceeds from notes payable	99,092	99,000
Net cash flows from financing activities	(27,800)	76,191
Net change in cash and cash equivalents	164,283	132,108
Cash, Cash Equivalents, and Restricted Cash		
Beginning of Year	224,609	92,501
End of Year	\$ 388,892	\$ 224,609
Supplemental Information:		
Cash payments for interest	\$ 825	\$ 1,838

See accompanying notes to financial statements.

Shelter Care Ministries, Inc.

Statement of Functional Expenses

<i>Year Ended June 30,</i>	2021 Program			Total Program Expenses	Management and General	Fundraising	Total Expenses
	Homeless Program	Jubilee Drop-in Center	Maya's House				
Client transportation	\$ 5,371	\$ 179	\$ -	\$ 5,550	\$ -	\$ -	\$ 5,550
Client food	3,234	3,595	-	6,829	-	-	6,829
Scattered site housing:							
Rent and utilities	306,167	-	-	306,167	-	-	306,167
Furnishings	16,212	-	-	16,212	-	-	16,212
Maintenance	8,791	30	-	8,821	-	-	8,821
Salaries, benefits, and payroll taxes	187,348	141,130	7,645	336,123	78,772	14,177	429,072
Auto and truck	7	758	-	765	885	-	1,650
In-kind donations	19,530	90,716	-	110,246	-	-	110,246
Dues, publications, and seminars	-	-	-	-	3,553	-	3,553
Office expense	-	325	128	453	5,699	-	6,152
Insurance	2,286	8,110	164	10,560	35,442	-	46,002
Professional fees	-	852	-	852	36,393	35,267	72,512
Repairs and maintenance	-	3,521	-	3,521	9,555	-	13,076
Rent and utilities	-	-	3,120	3,120	22,096	-	25,216
In-kind rent	-	60,900	5,400	66,300	-	-	66,300
Telephone	2,670	3,252	1,507	7,429	4,193	-	11,622
Advertising	-	-	-	-	752	-	752
Special events expense	-	-	-	-	-	5,272	5,272
Interest expense	-	-	-	-	825	-	825
Miscellaneous	-	-	-	-	3,341	-	3,341
Other program expenses	5,622	8,971	411	15,004	-	-	15,004
Total expense before depreciation	557,238	322,339	18,375	897,952	201,506	54,716	1,154,174
Depreciation	2,180	25,830	1,356	29,366	13,378	-	42,744
Total expenses	\$ 559,418	\$ 348,169	\$ 19,731	\$ 927,318	\$ 214,884	\$ 54,716	\$ 1,196,918

See accompanying notes to financial statements

Shelter Care Ministries, Inc.

Statement of Functional Expenses

<i>Year Ended June 30,</i>	2020 Program			Total Program Expenses	Management and General	Fundraising	Total Expenses
	Homeless Program	Jubilee Drop-in Center	Maya's House				
Client transportation	\$ 7,572	\$ 225	\$ -	\$ 7,797	\$ -	\$ -	\$ 7,797
Client food	7,685	3,520	296	11,501	-	-	11,501
Scattered site housing							
Rent and utilities	280,867	-	-	280,867	-	-	280,867
Furnishings	11,158	-	-	11,158	-	-	11,158
Maintenance	10,005	-	-	10,005	-	-	10,005
Salaries, benefits, and payroll taxes	154,337	148,723	38,140	341,200	139,082	13,461	493,743
Auto and truck	410	711	-	1,121	1,218	-	2,339
In-kind donation	20,040	82,304	415	102,759	2,108	-	104,867
Dues, publications, and seminars	-	-	-	-	1,085	-	1,085
Office expense	-	130	64	194	3,913	-	4,107
Insurance	2,308	7,976	164	10,448	35,092	-	45,540
Professional fees	-	585	-	585	12,947	36,000	49,532
Repairs and maintenance	-	2,147	272	2,419	13,515	-	15,934
Rent and utilities	-	-	3,120	3,120	23,561	-	26,681
In-kind rent	-	61,980	10,800	72,780	-	-	72,780
Telephone	803	3,105	2,233	6,141	5,174	-	11,315
Advertising	-	-	-	-	711	-	711
Special events expense	-	-	-	-	-	8,245	8,245
Interest expense	-	-	-	-	1,838	-	1,838
Miscellaneous	-	-	-	-	5,244	-	5,244
Other program expenses	3,683	3,980	1,586	9,249	-	-	9,249
Bad debt expense	-	-	-	-	1,300	-	1,300
Total expense before depreciation	498,868	315,386	57,090	871,344	246,788	57,706	1,175,838
Depreciation	3,465	24,961	1,263	29,689	12,817	-	42,506
Total expenses	\$ 502,333	\$ 340,347	\$ 58,353	\$ 901,033	\$ 259,605	\$ 57,706	\$ 1,218,344

See accompanying notes to financial statements.

Shelter Care Ministries, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Shelter Care Ministries, Inc. (the "Organization") is a nonprofit organization founded in 1985. The Organization's 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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

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 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, Cash Equivalents, and Restricted Cash

For purposes of reporting the statement of cash flows, the Organization includes all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments with a maturity of three months or less when purchased, as cash and cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows as of June 30:

	2021	2020
Cash and cash equivalents	\$ 267,209	\$ 199,122
Cash restricted for vehicle, housing, program services, and passage of time	121,683	22,970
Cash and cash equivalents, board designated	-	2,517
Total	\$ 388,892	\$ 224,609

Cash and cash equivalents with donor restrictions is available for use on specific program expenditures.

Shelter Care Ministries, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists primarily of amounts due from a governmental agency for program costs incurred. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collectability history. The Organization considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded.

Property and Equipment

Property and equipment are valued at cost if purchased or fair market value as of the date donated, with an expected life greater than one year and a cost greater than \$1,000. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight line method over the useful lives of the assets ranging from 5 to 40 years.

Net Assets

The Organization's financial statements are presented in accordance with Accounting Standards Codification (ASC) Topic 958, *Financial Statements of Not-for-Profit Organizations*. ASC Topic 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories:

Net assets without donor restrictions - Net assets are reflective of revenues and expenses associated with the principal programs and activities of the Organization and are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets with donor or certain grantor imposed restrictions. Some donor-imposed restrictions or stipulations are temporary in nature and will be met either by actions of the Organization and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recognized as revenue when received. Conditional contributions and promises to give, are recognized as revenue when the barriers to entitlement are overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets is removed. Assets received for which the condition has not been satisfied are recorded as a refundable advance liability.

Shelter Care Ministries, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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 that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions when placed in service.

Grants

Federal, State, Local government grants and grants from other entities are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

Grant awards that are contributions - Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance and are included in refundable advance liability in the accompanying statement of financial position.

Grant awards that are exchanges - Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services provided under grant awards or contracts.

Governmental agencies grant revenue

The Organization recognized revenues from contracts with state and federal governmental agencies of \$489,681 in 2021 and \$496,127 in 2020. Contract terms are established through an annual grant application process and, ultimately, a grant agreement with the Illinois Department of Human Services and the United States Department of Housing and Urban Development. Grant amounts awarded and the specific purpose the grant monies are to be used for are stated in the grant agreements. Payments from the Illinois Department of Human Services and the United States Department of Housing and Urban Development are considered third-party reimbursements on behalf of the families and Jubilee members receiving housing and supportive services, and are treated as exchange revenues. Payments are to be made monthly by the Illinois Department of Human Services and the United States Department of Housing and Urban Development. No payments discounts or financing options are provided.

Shelter Care Ministries, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Organization considers the performance obligation to be providing housing and supportive services and the performance obligation is satisfied when the housing and supportive services are provided to the families and Jubilee members. Revenue is recognized over time as the families and Jubilee members are simultaneously receiving and consuming the benefits of housing and supportive services. The Organization feels the output method is the most faithful depiction of the transfer of goods or services as the result achieved represents a satisfaction of the performance obligations, and neither the families or the Jubilee members, nor the Organization are obligated beyond that time.

Special Events

Revenue from special events contains an exchange element based on the value of benefits provided and a contribution element for the difference between the total amounts paid and the exchange element. The Organization recognizes the exchange portion of special events revenue equal to the fair value of direct benefits to donors when the event takes place and contribution revenue for the excess received. Any amounts received in advance of when the event occurs are presented as contract liabilities in deferred revenue.

In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records support for contributed professional services when performed. Contributed professional services are recognized if the services (a) create or enhance long-lived assets, 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.

Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Salaries, benefits, and payroll taxes, vehicle expenses, office expenses, insurance, professional fees, repairs and maintenance, rent and utilities, and telephone are allocated between the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis with estimates of time and effort being used as the basis for allocation.

Shelter Care Ministries, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization is classified as a public charity. The Organization is also exempt from Illinois taxing jurisdiction.

The Organization accounts for income taxes in accordance with FASB ASC 740 *Income Taxes*. FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprises' financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Organization recorded no liabilities for uncertain tax positions or unrecognized tax benefits.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

Change in Accounting Principle

In accordance with the Accounting Standards Codification (ASC), the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* effective July 1, 2020. The new standard clarifies existing guidance on revenue recognition and supersedes current revenue recognition requirements in *Revenue Recognition (ASC 605)* and most industry-specific guidance. The core principle of the guidance in the ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization applied the ASU on a modified retrospective basis. There was no change to reported revenue, net assets, or the change in net assets for 2021 and no cumulative adjustment for prior periods as a result of adopting this standard.

Pending Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization elected to defer the adoption of the standard and is continuing to evaluate what impact this new standard will have on its financial statements.

Shelter Care Ministries, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Pending Accounting Pronouncement (Continued)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed NonFinancial Assets (Topic 958)*. The amendments in this update will require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after June 15, 2021, applied on a retrospective basis. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 20, 2021 which is the date these financial statements were available to be issued. There were no subsequent events requiring footnote disclosure.

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 388,892	\$ 224,609
Accounts receivable and unconditional promises to give	256,655	69,207
Total financial assets	645,547	\$ 293,816
Less those unavailable for general expenditure within one year due to restrictions	121,683	22,970
Total financial assets available for general expenditure within one year	\$ 523,864	\$ 268,329

The Organization does not have a formal liquidity policy.

Shelter Care Ministries, Inc.

Notes to Financial Statements

Note 3: Accounts Receivable and Contract Balances

Opening and closing balances for contract assets, contract liabilities, and accounts receivable arising from contracts with customers include:

	6/30/2021	6/30/2020	6/30/2019
United States Department of Housing and Urban Development	\$ 177,777	\$ 44,019	\$ 72,907
Total	\$ 177,777	\$ 44,019	\$ 72,907

Contract assets arise when the Organization transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time. The Organization did not have contract assets for any of the points disclosed above. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Organization is able to invoice the customer. The Organization had the above receivables. Contract liabilities represent the Organization's obligation to transfer goods or services to a customer when consideration has already been received from the customer. The Organization did not have any contract liabilities for any of the points disclosed above.

Note 4: Board Designated Endowment

As of June 30, 2021 and 2020, the Board of Directors had designated \$2,517 of net assets without donor restrictions as a general endowment fund to provide an additional source of support for the Organization's activities. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. The Organization has a spending policy of appropriating for distributions based on investment earnings and the Organization's management.

The Organization's management has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 programs. Accordingly, the investment process seeks to achieve an after-cost total real rate of return with acceptable levels of risk.

Shelter Care Ministries, Inc.

Notes to Financial Statements

Note 4: Board Designated Endowment (Continued)

Endowment assets 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.

Note 5: Property and Equipment

A summary of property and equipment is as follows as of June 30:

	2021	2020
Land	\$ 18,060	\$ 18,060
Buildings	187,473	187,473
Leasehold improvements	1,151,909	1,134,524
Vehicles	26,743	29,681
Furniture and office equipment	127,995	120,781
Accumulated depreciation and amortization	(777,558)	(737,457)
Total	\$ 734,622	\$ 753,062

Note 6: Operating Leases

The Organization leases scattered site housing under various short-term agreements. Rent and utilities for this housing totaled \$306,167 and \$280,867 for the year ended June 30, 2021 and 2020 respectively. All such leases expire annually at various times throughout the year.

Note 7: Notes Payable

The Organization has the following notes payable as of June 30:

	2021	2020
Mortgage payable in monthly installments of \$761 including principal and interest at 5.25%, unpaid balance due September 2023, collateralized by land	\$ -	\$ 21,959
Commercial note payable in monthly installments of \$959 including principal and interest at 5.00%, unpaid balance due July 2020, collateralized by all assets of the Organization	-	933
Loan payable in quarterly installments of \$500 principal at 0% interest, uncollateralized, due in full December 2022	-	5,000
Total	\$ -	\$ 27,892

Shelter Care Ministries, Inc.

Notes to Financial Statements

Note 7: Notes Payable (Continued)

All notes payable were paid in full during fiscal year ended June 30, 2021.

Note 8: Paycheck Protection Program Loan

As of June 30, 2021 the Organization had an outstanding loan of \$99,092 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Under the terms of the original loan agreement, the loan bears interest at a rate of 1% with interest payments beginning six months following the date of disbursement of the principal to the Organization and continuing on the same day of each month thereafter until the principal is paid in full. The entire outstanding principal amount and all unpaid accrued interest are due on March 19, 2026. All or a portion of the loan may be forgiven if the Organization uses the proceeds of the loan for eligible payroll costs and other expenses in accordance with the Paycheck Protection Program.

At the date of this report, the Organization was notified that the full loan amount of \$99,092 had been forgiven.

Note 9: Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2021	2020
Time restriction	\$ 63,750	\$ 20,873
Vehicle, housing, and supportive program services	57,933	2,097
Net assets with donor restrictions	\$ 121,683	\$ 22,970

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30:

	2021	2020
Expiration of time restrictions	\$ 20,873	\$ 33,921
Satisfaction of purpose restrictions:		
Housing, program equipment, and supportive program services	103,377	49,680
Net assets released from donor restrictions	\$ 124,250	\$ 83,601

Shelter Care Ministries, Inc.

Schedule of Findings and Responses

Year Ended June 30, 2021

Financial Statement Findings

2021-001

Condition - The Organization has incomplete segregation of duties stemming from limited personnel. Many of the accounting functions are performed by the same individuals.

Criteria - A good system of internal control involves segregation of duties so that no one individual can handle a transaction from its inception to its completion. Complete segregation of duties would require segregating responsibility for the initiation, approval and recording of all accounting transactions.

Effect - There is a risk that misstatements could occur and not be prevented, or detected and corrected, by the system of internal control.

Cause - The Organization has a limited number of staff to allow for adequate segregation of duties.

Recommendation - The Organization should separate duties when possible, and should implement detective controls that are adequate when separation of duties are not possible.

Management response - The Organization's management and Board of Directors' close supervision and review of accounting information is the most economical and appropriate manner to help prevent and detect errors and irregularities in the Organization's accounting and financial reporting.

2021-002

Condition - An Organization's internal control does not end at the general ledger but extends to the financial statements and prepared disclosures. Management relies on the external auditors to prepare the financial statements and disclosures.

Criteria - Government Auditing Standards require the Organization to maintain internal controls over the financial statements, including preparation and disclosure.

Effects - The financial statements and disclosures are not prepared by the Organization.

Cause - The Organization does not have someone on staff that has the skills and knowledge to prepare the financial statements and disclosures.

Recommendation - For management to attempt to obtain the skills and knowledge necessary to prepare the Organization's financial statements and disclosures.

Management response - The Organization's management and Organization's Board's close review of financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting.

Shelter Care Ministries, Inc.

Schedule of Findings and Responses

Year Ended June 30, 2021

Financial Statement Findings (Continued)

2021-003

Condition – Adjusting journal entries recorded by the Director of Finance are not being reviewed and approved by a member of management.

Criteria - A good system of internal control involves management oversight of adjusting journal entries since one individual has unlimited access to the internal accounting software which could potentially result in fraudulent financial reporting or misappropriation of assets.

Effects - Adjusting journal entries made by the Director of Finance are not reviewed and approved by a member of management.

Cause - A member of management is not reviewing and approving adjusting entries made by the Director of Finance.

Recommendation - For a member of management to review and approve adjusting entries made by the Director of Finance. This review and approval should include a review of the supporting documentation used to develop the journal entry.

Management response – The Organization’s management will review and approve adjusting entries made by the Director of Finance and will initial and date the entries as proof of their review and approval.