



SHELTER CARE MINISTRIES, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2022 and 2021

The lower half of the cover features a complex, abstract geometric design. It consists of numerous overlapping, semi-transparent planes and polygons in various shades of gray, creating a sense of depth and architectural structure. The overall effect is reminiscent of a modern building's facade or a complex data visualization.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shelter Care Ministries, Inc.

Report of 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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shelter Care Ministries, Inc. (Organization) as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, on our consideration of Shelter Care Ministries, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

2021 Financial Statements

The financial statements of the Shelter Care Ministries, Inc. as of and for the year ended June 30, 2021 were audited by other auditors whose report dated December 20, 2021 expressed an unmodified opinion on those statements.

Sikich LLP

Brookfield, Wisconsin
December 29, 2022

FINANCIAL STATEMENTS

SHELTER CARE MINISTRIES, INC.**STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2022 and 2021

	2022	2021
ASSETS		
ASSETS		
Cash	\$ 242,240	\$ 267,209
Cash restricted for vehicle, housing, supportive program services, and passage of time	60,951	121,683
Accounts receivable	148,299	199,280
Unconditional promises to give	31,110	57,375
Prepaid assets	665	190
Property and equipment - net	740,361	734,622
TOTAL ASSETS	\$ 1,223,626	\$ 1,380,359
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 3,343	\$ 39
Accrued liabilities	50,824	43,667
Paycheck protection program loan payable	-	99,092
Refundable grant advance	-	47,965
Total liabilities	54,167	190,763
NET ASSETS		
Without donor restrictions		
Undesignated	1,105,991	1,065,396
Board designated	2,517	2,517
With donor restrictions	60,951	121,683
Total net assets	1,169,459	1,189,596
TOTAL LIABILITIES AND NET ASSETS	\$ 1,223,626	\$ 1,380,359

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.**STATEMENTS OF ACTIVITIES**

For the Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	\$ 127,895	\$ -	\$ 127,895
Governmental grants	577,103	22,000	599,103
Grants	215,564	-	215,564
In-kind contributions	149,364	-	149,364
Midtown rental income	36,850	-	36,850
Fundraising	61,809	-	61,809
Loss on sale of property and equipment	(2,188)	-	(2,188)
Other income	4,371	-	4,371
Net assets released from restrictions	82,732	(82,732)	-
Total revenue	1,253,500	(60,732)	1,192,768
EXPENSES			
Program services	882,401	-	882,401
Management and general	271,743	-	271,743
Fund raising	52,993	-	52,993
Costs of direct benefits to donors	5,768	-	5,768
Total expenses	1,212,905	-	1,212,905
CHANGE IN NET ASSETS	40,595	(60,732)	(20,137)
NET ASSETS, BEGINNING OF YEAR	1,067,913	121,683	1,189,596
NET ASSETS, END OF YEAR	\$ 1,108,508	\$ 60,951	\$ 1,169,459

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.**STATEMENTS OF ACTIVITIES (Continued)**

For the Years Ended June 30, 2022 and 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	\$ 247,159	\$ 222,963	\$ 470,122
Governmental grants	489,681	-	489,681
Grants	270,815	-	270,815
In-kind contributions	176,546	-	176,546
Midtown rental income	42,651	-	42,651
Fundraising	47,752	-	47,752
Gain on sale of property and equipment	121	-	121
Other income	900	-	900
Net assets released from restrictions	124,250	(124,250)	-
Total revenue	1,399,875	98,713	1,498,588
EXPENSES			
Program services	927,318	-	927,318
Management and general	214,884	-	214,884
Fund raising	54,716	-	54,716
Total expenses	1,196,918	-	1,196,918
CHANGE IN NET ASSETS	202,957	98,713	301,670
NET ASSETS, BEGINNING OF YEAR	864,956	22,970	887,926
NET ASSETS, END OF YEAR	\$ 1,067,913	\$ 121,683	\$ 1,189,596

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Program Services				Supporting Services			
	Homeless Program	Jubilee Drop in Center	Maya's House	Total Programs	Management & General	Fund Raising	Direct Benefit to Donors	Total Expenses
Client transportation	\$ 3,536	\$ 591	\$ -	\$ 4,127	\$ -	\$ -	\$ -	\$ 4,127
Client food	-	3,967	-	3,967	-	-	-	3,967
Scattered site Housing								
Rent and utilities	279,730	9,342	-	289,072	-	-	-	289,072
Furnishings	6,798	2,803	-	9,601	-	-	-	9,601
Maintenance	16,951	-	-	16,951	-	-	-	16,951
Salaries, benefits, and payroll taxes	178,552	149,527	340	328,419	120,300	11,144	-	459,863
Vehicle expense	175	236	-	411	(47)	-	-	364
Client household items	28,350	58,314	-	86,664	-	-	-	86,664
Dues, publications, and seminars	-	-	-	-	4,721	-	-	4,721
Office expense	1,260	2,350	-	3,610	6,405	3,674	-	13,689
Insurance	7,901	18,733	164	26,798	24,746	250	-	51,794
Professional fees	1,678	837	-	2,515	31,244	37,925	-	71,684
Repairs and maintenance	22,142	1,742	-	23,884	3,457	-	-	27,341
Rent and utilities	-	-	520	520	23,367	-	-	23,887
Rent - in-kind	-	60,900	1,800	62,700	-	-	-	62,700
Telephone	4,001	3,735	-	7,736	5,788	-	-	13,524
Advertising	-	-	-	-	879	-	-	879
Meals and entertainment	-	-	-	-	91	-	5,768	5,859
Miscellaneous	-	-	-	-	4,076	-	-	4,076
Other program expenses	2,730	5,998	6,698	15,426	-	-	-	15,426
Expenses before depreciation	553,804	319,075	9,522	882,401	225,027	52,993	5,768	1,166,189
Depreciation	-	-	-	-	46,716	-	-	46,716
TOTAL EXPENSES	\$ 553,804	\$ 319,075	\$ 9,522	\$ 882,401	\$ 271,743	\$ 52,993	\$ 5,768	\$ 1,212,905

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services				Supporting Services		
	Homeless Program	Jubilee Drop in Center	Maya's House	Total Programs	Management & General	Fund Raising	Total Expenses
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
Vehicle expenses	7	758	-	765	885	-	1,650
Client household items	19,530	90,716	-	110,246	-	-	110,246
Dues, publications, and seminars	-	-	-	-	3,553	-	3,553
Office expense	-	325	128	453	5,699	4,827	10,979
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
Rent in-kind	-	60,900	5,400	66,300	-	-	66,300
Telephone	2,670	3,252	1,507	7,429	4,193	-	11,622
Advertising	-	-	-	-	752	-	752
Meals and entertainment	-	-	-	-	-	445	445
Interest	-	-	-	-	825	-	825
Miscellaneous	-	-	-	-	3,341	-	3,341
Other program expenses	5,622	8,971	411	15,004	-	-	15,004
Expenses 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.**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (20,137)	\$ 301,670
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,716	42,744
Loss (gain) on sale of property and equipment	2,188	(121)
Decrease (increase) in:		
Accounts receivable	50,981	(150,946)
Unconditional promises to give	26,265	(36,502)
Prepaid assets	(475)	2,873
Increase (decrease) in:		
Accounts payable	3,304	39
Accrued liabilities	7,157	8,544
Paycheck protection program loan payable	(99,092)	99,092
Refundable grant advance	(47,965)	47,965
Net cash from operating activities	(31,058)	315,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(54,643)	(24,600)
Proceeds from sale of property and equipment	-	417
Net cash from investing activities	(54,643)	(24,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	-	(126,892)
Net cash from financing activities	-	(126,892)
NET CHANGE IN CASH AND RESTRICTED CASH	(85,701)	164,283
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	388,892	224,609
CASH AND RESTRICTED CASH, END OF YEAR	\$ 303,191	\$ 388,892
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash	\$ 242,240	\$ 267,209
Cash restricted for vehicle, housing, supportive program services, and passage of time	60,951	121,683
	<u>\$ 303,191</u>	<u>\$ 388,892</u>
Cash payments for interest	\$ -	\$ 825
Noncash forgiveness of Paycheck Protection Program grant	<u>\$ 99,092</u>	<u>\$ 99,000</u>

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions:

Net assets that are not subject to donor-imposed restrictions or imposed stipulations by the Organization's Board of Directors (the Board).

Net Assets With Donor Restrictions:

Net assets subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those restrictions or are required to be maintained in perpetuity by the Organization. Generally, the donors of the assets permit the Organization to use all of part of the income earned on any related investments for general or specific purposes. The Organization did not have any net assets required to be held in perpetuity as of June 30, 2022 and 2021.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 these estimates.

SHELTER CARE MINISTRIES, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events are events or transactions that occur after year end but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

The Organization has evaluated subsequent events through December 29, 2022, the date on which the financial statements were available to be issued.

Recently Adopted Accounting Pronouncements

In September 2020, FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The standard is effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. The Organization adopted this standard during 2022 with no material impact to the financial statements.

Cash and Cash Equivalents

The Organization considers all short-term investments in interest-bearing bank accounts, debt securities and other instruments having an original maturity of three months or less, to be equivalent to cash. The Organization did not hold any cash equivalents at June 30, 2022 and 2021.

The Organization maintains its cash in financial institutions, which at times may exceed federally insured limits. At June 30, 2022 and 2021, the Organization's cash accounts did not exceed the federally insured limits at June 30, 2022. The cash accounts exceeded federally insured limits by approximately \$23,100 at June 30, 2021. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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 as of June 30, 2022 and 2021.

SHELTER CARE MINISTRIES, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in more than one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions. Based on management's judgment and analysis of the credit worthiness of the donors and other relevant factors, management has determined an allowance is not necessary for June 30, 2022 and 2021. However, actual write-offs may occur.

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 on the statements of financial position. There were no conditional contributions as of June 30, 2022 and 2021.

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.

Contributions In-Kind

Donated services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized as revenues and expenses and are not reported in the accompanying financial statements. The estimated value of donated services, materials and use of facilities is reflected in the statements of activities.

SHELTER CARE MINISTRIES, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants

Federal, State, Local government 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 the funding sources are invoiced. 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 as a refundable grant advance in the accompanying statements of financial position.

Grant awards that are exchange transactions - 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 \$599,103 in 2022 and \$489,681 in 2021. 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 transactions. 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.

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.

SHELTER CARE MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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. There were no amounts received in advance as of June 30, 2022 and 2021.

Significant Judgments and Estimates

There are no significant judgments or estimates involved in the recognition of revenue from any of the revenue streams.

Disaggregation of Revenue from Contracts with Customers

	2022	2021
Special event revenue recognized at a point in time	\$ 61,809	\$ 47,752
Program fees recognized over time	814,667	765,496
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	\$ 876,476	\$ 813,248

Contract Assets and Liabilities

Opening and closing balances for contract assets and contract liabilities arising from contract with customers include:

	2022	2021	2020
Contract assets	\$ 118,689	\$ 177,777	\$ 44,019

SHELTER CARE MINISTRIES, INC.**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Revenue Recognition (Continued)*Contract Assets and Liabilities (Continued)*

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 periods disclosed above.

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 a straight-line basis over the estimated useful lives. Estimated lives of property and equipment are as follows:

	<u>Years</u>
Land Improvements	20
Buildings	39
Leasehold improvements	20-39
Vehicles	7
Furniture and equipment	3-7

Leasehold improvements are depreciated over the shorter of the lease term or useful life.

Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements 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 THE FINANCIAL STATEMENTS (Continued)**

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Income Tax Status

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code as other than a private foundation.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02, as amended by ASU 2020-05, is effective for non-public entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Organization is currently assessing the impacts of this new standard including the two optional transition methods.

2. LIQUIDITY AND AVAILABILITY

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:

	2022	2021
Cash and cash equivalents	\$ 242,240	\$ 267,209
Cash restricted for vehicle, housing, supportive program services, and passage of time	60,951	121,683
Accounts receivable	148,299	199,280
Unconditional promises to give	31,110	57,375
Total financial assets and liquid resources	482,600	645,547
Less board designated and donor imposed restrictions:		
Time & purpose restriction	(60,951)	(121,683)
Board designated	(2,517)	(2,517)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 419,132</u>	<u>\$ 521,347</u>

SHELTER CARE MINISTRIES, INC.**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

2. LIQUIDITY AND AVAILABILITY (Continued)

The Organization does not have a formal liquidity policy.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following as of June 30:

	2022	2021
Due within one year	\$ 19,124	\$ 57,375
Due in one to five years	11,986	-
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ 31,110</u>	<u>\$ 57,375</u>

4. CONTRIBUTIONS IN-KIND

The Organization received the following contributions of nonfinancial assets for the year ending June 30, 2022:

	2022
Donated materials and supplies	\$ 59,166
Donated rent	62,700
Donated services	<u>27,498</u>
TOTAL	<u>\$ 149,364</u>

The Organization receives contributed services without restrictions from volunteers in relation to operational program activities. The services are reported using the rate that would be paid for these services that would typically need to be purchased if not volunteered. The contributed services were utilized in the Organization's program services.

The Organization also receives contributions of donated materials and supplies without restrictions. The donated goods are valued utilizing the Salvation Army's method of valuation, which utilizes a low and high valuation form to determine the value of the goods. The donated goods consist of various household goods and supplies and were used in the Organization's program services.

The Organization also receives in-kind rent without restrictions which is utilized in the Jubilee and Maya House programs. The value of rent received is based on the fair value of rent for similar surrounding properties. The donated goods were used in the Organization's program services.

5. BOARD DESIGNATED ENDOWMENT

As of June 30, 2022 and 2021, the Board of Directors has 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.

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.

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.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2022	2021
Land	\$ 18,060	\$ 18,060
Buildings	187,473	187,473
Leasehold improvements	1,151,909	1,151,909
Vehicles	84,383	26,743
Furniture and equipment	120,474	127,995
	<u>1,562,299</u>	<u>1,512,180</u>
Less: Accumulated depreciation	<u>(821,938)</u>	<u>(777,558)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 740,361</u>	<u>\$ 734,622</u>

7. OPERATING LEASES

The Organization leases scattered site housing under various short-term agreements. Rent and utilities for this housing totaled \$289,072 and \$306,167 for the years ended June 30, 2022 and 2021 respectively. All such leases expire annually at various times throughout the year.

The Organization also leases housing under various short-term agreements for participants within their housing program. All such leases expire annually at various times throughout the year.

SHELTER CARE MINISTRIES, INC.**NOTES TO THE FINANCIAL STATEMENTS (Continued)****7. OPERATING LEASES (Continued)**

Future commitments under noncancellable lease agreements are as follows for the year ending June 30:

2023	\$ 110,365
2024	<u>1,825</u>
TOTAL	<u>\$ 112,190</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Restricted as to time and purpose:		
Time restriction	\$ 37,485	\$ 63,750
Vehicle, housing, and supportive program services	<u>23,466</u>	<u>57,933</u>
TOTAL	<u>\$ 60,951</u>	<u>\$ 121,683</u>

9. PAYCHECK PROTECTION PROGRAM

The Paycheck Protection Program (PPP) is a low-interest Small Business Administration (SBA) loan and generally covers two and a half months of payroll cost and may be forgiven entirely if the borrower limits salary reductions to no more than 25% and maintain staffing levels for 24 weeks after getting the loan. The Organization was approved for a loan on April 10, 2020 under this program in the amount of \$99,000, with interest at 1% and maturity date of April 10, 2025. The Organization has elected to account for the PPP loan as a government grant. The Organization has recognized the income as within grants on the statement of activities for the year ending June 30, 2021 as the money was used for qualifying expenses (i.e. payroll and related benefits) under the terms of the SBA loan. Formal forgiveness was received from the SBA on March 19, 2021.

The Organization requested and received funding in the amount of \$99,092 on March 19, 2021. The funding was in the form of an unsecured bank Promissory Note bearing an interest rate of 1% with a maturity of March 19, 2026. The amount was determined using the SBA required formula of certain average historical monthly payroll expenses times 2.5. The loan proceeds will be used to retain workers and maintain payroll or make mortgage, lease or utility payments. The Organization has recognized the income within grants on the statement of activities for June 30, 2022 as the money was used for qualifying expenses (i.e. payroll and related benefits) under the terms of the SBA loan. Formal forgiveness was received from the SBA on October 26, 2021.

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**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 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. (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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 on 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.

Sikich LLP

Brookfield, Wisconsin
December 29, 2022