



SHELTER CARE MINISTRIES, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended June 30, 2025 and 2024



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SHELTER CARE MINISTRIES, INC.
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17335 Golf Parkway, Suite 500
Brookfield, WI 53045
262.754.9400

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shelter Care Ministries, Inc.

Report on the Audit of the Financial Statements

Opinion

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, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025 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 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.

Sikich CPA LLC

Brookfield, Wisconsin
December 17, 2025

FINANCIAL STATEMENTS

SHELTER CARE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 291,064	\$ 299,264
Cash restricted for vehicle, housing, and supportive program services	74,290	43,230
Accounts receivable	-	21,296
Grants receivable	228,923	213,508
Prepaid assets	-	950
Total current assets	<u>594,277</u>	<u>578,248</u>
OTHER ASSETS		
Property and equipment - net	658,958	684,965
Operating lease right-of-use asset	36,838	48,741
TOTAL ASSETS	<u>\$ 1,290,073</u>	<u>\$ 1,311,954</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,373	\$ 1,880
Accrued liabilities	47,720	58,032
Operating lease liability, current portion	12,311	11,363
Total current liabilities	<u>65,404</u>	<u>71,275</u>
LONG-TERM LIABILITIES		
Operating lease liability, noncurrent portion	26,327	38,638
Total long-term liabilities	<u>26,327</u>	<u>38,638</u>
Total liabilities	<u>91,731</u>	<u>109,913</u>
NET ASSETS		
Without donor restrictions		
Undesignated	1,121,535	1,156,294
Board designated	2,517	2,517
Total net assets without donor restrictions	1,124,052	1,158,811
With donor restrictions	74,290	43,230
Total net assets	<u>1,198,342</u>	<u>1,202,041</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,290,073</u>	<u>\$ 1,311,954</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2025

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	\$ 39,508	\$ 866	\$ 40,374
Governmental grants	1,498,798	-	1,498,798
Grants	199,125	54,007	253,132
In-kind contributions	169,113	-	169,113
Midtown rental income	52,100	-	52,100
Fundraising	133,701	-	133,701
Other income	8,832	-	8,832
Net assets released from restrictions	23,813	(23,813)	-
Total revenue	<u>2,124,990</u>	<u>31,060</u>	<u>2,156,050</u>
EXPENSES			
Program services	1,854,281	-	1,854,281
Management and general	235,198	-	235,198
Fund raising	60,469	-	60,469
Costs of direct benefits to donors	9,801	-	9,801
Total expenses	<u>2,159,749</u>	<u>-</u>	<u>2,159,749</u>
CHANGE IN NET ASSETS	(34,759)	31,060	(3,699)
NET ASSETS, BEGINNING OF YEAR	<u>1,158,811</u>	<u>43,230</u>	<u>1,202,041</u>
NET ASSETS, END OF YEAR	<u>\$ 1,124,052</u>	<u>\$ 74,290</u>	<u>\$ 1,198,342</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	\$ 129,743	\$ 870	\$ 130,613
Governmental grants	1,237,229	-	1,237,229
Grants	146,820	26,241	173,061
In-kind contributions	170,936	-	170,936
Midtown rental income	53,095	-	53,095
Fundraising	68,755	-	68,755
Other income	4,867	-	4,867
Net assets released from restrictions	162,176	(162,176)	-
Total revenue	1,973,621	(135,065)	1,838,556
EXPENSES			
Program services	1,586,339	-	1,586,339
Management and general	211,241	-	211,241
Fund raising	44,424	-	44,424
Costs of direct benefits to donors	7,292	-	7,292
Total expenses	1,849,296	-	1,849,296
CHANGE IN NET ASSETS	124,325	(135,065)	(10,740)
NET ASSETS, BEGINNING OF YEAR	1,034,486	178,295	1,212,781
NET ASSETS, END OF YEAR	\$ 1,158,811	\$ 43,230	\$ 1,202,041

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2025

	Program Services			Supporting Services				
	Homeless Program	Jubilee Drop in Center	Total Programs	Management & General	Fund Raising	Cost of Direct Benefit to Donors	Total Supporting Services	Total Expenses
Client food	\$ 4,021	\$ 1,041	\$ 5,062	\$ -	\$ -	\$ -	\$ -	\$ 5,062
Scattered site housing								
Rent and utilities	644,973	167,457	812,430	(113)	-	-	(113)	812,317
Furnishings	31,111	2,196	33,307	66	-	-	66	33,373
Maintenance	28,936	10,585	39,521	-	-	-	-	39,521
Salaries, benefits, and payroll taxes	336,224	248,614	584,838	101,740	9,886	-	111,626	696,464
Vehicle expense	15,994	3,615	19,609	99	-	-	99	19,708
Client household items	3,656	40,673	44,329	13,665	1,725	-	15,390	59,719
Dues, publications, and seminars	2,099	50	2,149	181	125	-	306	2,455
Office expense	396	868	1,264	13,707	-	-	13,707	14,971
Insurance	27,480	31,727	59,207	18,046	614	-	18,660	77,867
Professional fees	3,002	7,010	10,012	22,850	45,847	-	68,697	78,709
Repairs and maintenance	994	4,523	5,517	10,935	-	-	10,935	16,452
Rent and utilities	7,510	-	7,510	23,237	-	-	23,237	30,747
Rent - in-kind	-	109,394	109,394	-	-	-	-	109,394
Telephone	9,855	4,398	14,253	176	-	-	176	14,429
Advertising	-	-	-	1,181	-	-	1,181	1,181
Meals and entertainment	-	-	-	1,328	-	9,801	11,129	11,129
Miscellaneous	42,739	675	43,414	6,873	1,459	-	8,332	51,746
Other program expenses	2,861	11,491	14,352	2,100	-	-	2,100	16,452
Bad debt expense	-	-	-	10,757	-	-	10,757	10,757
Expenses before depreciation	1,161,851	644,317	1,806,168	226,828	59,656	9,801	296,285	2,102,453
Depreciation	27,660	20,453	48,113	8,370	813	-	9,183	57,296
TOTAL EXPENSES	\$ 1,189,511	\$ 664,770	\$ 1,854,281	\$ 235,198	\$ 60,469	\$ 9,801	\$ 305,468	\$ 2,159,749

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024

	Program Services			Supporting Services				
	Homeless Program	Jubilee Drop in Center	Total Programs	Management & General	Fund Raising	Cost of Direct Benefit to Donors	Total Supporting Services	Total Expenses
Client food	\$ 795	\$ 5,043	\$ 5,838	\$ -	\$ -	\$ -	\$ -	\$ 5,838
Scattered site housing								
Rent and utilities	479,211	132,453	611,664	-	-	-	-	611,664
Furnishings	50,157	19,115	69,272	-	-	-	-	69,272
Maintenance	24,367	1,717	26,084	-	-	-	-	26,084
Salaries, benefits, and payroll taxes	252,596	275,300	527,896	105,178	4,139	-	109,317	637,213
Vehicle expenses	20,077	1,302	21,379	1,155	-	-	1,155	22,534
Client household items	29,192	37,286	66,478	-	-	-	-	66,478
Dues, publications, and seminars	1,367	2,194	3,561	1,632	-	-	1,632	5,193
Office expense	1,162	522	1,684	16,243	-	-	16,243	17,927
Insurance	7,544	22,379	29,923	17,940	14	-	17,954	47,877
Professional fees	5,196	5,204	10,400	29,345	38,288	-	67,633	78,033
Repairs and maintenance	7,538	1,494	9,032	2,170	-	-	2,170	11,202
Rent and utilities	9,902	821	10,723	18,476	-	-	18,476	29,199
Rent in-kind	-	104,459	104,459	-	-	-	-	104,459
Telephone	5,264	6,024	11,288	1,546	-	-	1,546	12,834
Advertising	-	-	-	416	-	-	416	416
Meals and entertainment	-	-	-	1,111	-	7,292	8,403	8,403
Miscellaneous	10,227	1,160	11,387	7,039	1,623	-	8,662	20,049
Other program expenses	748	18,574	19,322	-	-	-	-	19,322
Expenses before depreciation	905,343	635,047	1,540,390	202,251	44,064	7,292	253,607	1,793,997
Depreciation	21,986	23,963	45,949	8,990	360	-	9,350	55,299
TOTAL EXPENSES	\$ 927,329	\$ 659,010	\$ 1,586,339	\$ 211,241	\$ 44,424	\$ 7,292	\$ 262,957	\$ 1,849,296

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,699)	\$ (10,740)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	57,296	55,299
Bad debt expense	10,757	-
Non-cash operating lease expense	540	1,149
Decrease (increase) in		
Accounts receivable	10,539	(17,615)
Grants receivable	(15,415)	113,906
Unconditional promises to give	-	14,126
Prepaid assets	950	2
Increase (decrease) in		
Accounts payable	3,493	(1,272)
Accrued liabilities	(10,312)	13,142
Net cash from operating activities	<u>54,149</u>	<u>167,997</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(33,768)</u>	<u>(20,443)</u>
Net cash from investing activities	<u>(33,768)</u>	<u>(20,443)</u>
NET CHANGE IN CASH AND RESTRICTED CASH	20,381	147,554
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>342,494</u>	<u>194,940</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 362,875</u>	<u>\$ 342,494</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash	\$ 291,064	\$ 299,264
Cash restricted for vehicle, housing, and supportive program services	<u>74,290</u>	<u>43,230</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 365,354</u>	<u>\$ 342,494</u>

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

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 (USGAAP). 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 or 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, 2025 and 2024.

Use of Estimates

The preparation of financial statements in conformity with USGAAP 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.

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 17, 2025, the date on which the financial statements were available to be issued and determined that there were no significant nonrecognized subsequent events through that date.

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, 2025 and 2024.

The Organization maintains its cash in financial institutions, which at times may exceed federally insured limits. At June 30, 2025 and 2024, the Organization's cash accounts did not exceed the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Grants Receivable

Grants receivable consists primarily of amounts due from a governmental agency for program costs incurred and are carried at the amount management expects to collect from outstanding balances. Amounts are reviewed for collectability by management and an allowance for credit losses is recorded as needed based on experience, third-party contracts and other circumstances which may offset the ability of grantors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. After all attempts to collect the receivable have failed, the receivable is written off against the allowance. Grants receivable are due from government sources; therefore, zero credit losses are expected for the years ended June 30, 2025 and 2024. However, actual write-offs may occur.

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, 2025 and 2024. 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, 2025 and 2024.

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 statements 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.

In-Kind Contributions

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 fair value of donated services, materials and use of facilities is reflected in the statements of activities.

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

Revenue Recognition (Continued)

Grants

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable grant advance in the statements of financial position. There were no amounts received in advance from cost-reimbursement grants for the years ended June 30, 2025 and 2024. The Organization had approximately \$54,900 and \$215,000 of cost-reimbursable grants that were not recognized as of June 30, 2025 and 2024, respectively, because the qualifying expenditures had not yet been incurred.

In addition, the Organization receives funding from non-cost reimbursement based grants that have conditions that must be met with a measurable performance or other barrier and right of return. These grants are not recognized until the conditions on which they depend have been met. During 2025 and 2024, the Organization did not receive payments on grants with a right of return.

Grants received from non-government sources are primarily received from individuals and other third-party organizations. Revenue from these grants are non-exchange in nature and recorded when conditions per the grant agreement are met and all barriers are overcome. Grants received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions.

Governmental Agencies Grant Revenue

The Organization recognized revenues from contracts with state and federal governmental agencies of \$1,498,798 in 2025 and \$1,237,229 in 2024. 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.

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

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

Revenue Recognition (Continued)

Governmental Agencies Grant Revenue (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 using the time elapsed method, an output method, as the families and Jubilee members are simultaneously receiving and consuming the benefits of housing and supportive services. The Organization feels this 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. There were no amounts received in advance as of June 30, 2025 and 2024.

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

	<u>2025</u>	<u>2024</u>
Special event revenue recognized at a point in time	\$ 9,801	\$ 7,292
Governmental grants recognized over time	1,498,798	1,237,229
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	<u><u>\$ 1,508,599</u></u>	<u><u>\$ 1,244,521</u></u>

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

Contract assets include amounts due under the terms of the contracts as of June 30, 2025, 2024, and 2023. There are no contract liabilities as of June 30, 2025, 2024 and 2023. Beginning and ending contract assets are included with accounts receivable and grants receivable on the statements of financial position and were as follows as of June 30:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contract assets-accounts receivable	\$ -	\$ 21,296	\$ 3,681
Contract assets-grants receivable	228,923	213,508	327,414

Property and Equipment

Property and equipment are valued at cost if purchased or fair value as of the date donated, with an expected life greater than one year and a cost greater than \$5,000. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in revenue. 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>
Buildings	39
Leasehold improvements	5-39
Vehicles	7
Furniture and equipment	3-7

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

Leases

The Organization leases office space and apartments. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position. The Organization does not have any financing leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

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

Leases (Continued)

The Organization's leases do not provide an implicit rate and therefore the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Leases with an initial term of 12 months or less are not recorded on the statements of financial position and lease expense is recognized on a straight-line basis over the lease term. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next.

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 are allocated based on time and effort. Vehicle expenses, dues, publications and seminars, office expenses, insurance, professional fees, repairs and maintenance, rent and utilities, and telephone are allocated based on salaries, benefits, and payroll taxes. Depreciation expense is allocated based on square footage.

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.

The Organization files various federal or state non-profit tax returns. The Organization is no longer subject to U.S. federal or state examination by authorities for tax years prior to 2021.

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

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:

	<u>2025</u>	<u>2024</u>
Cash	\$ 291,064	\$ 299,264
Cash restricted for vehicle, housing, and supportive program services	74,290	43,230
Accounts receivable	-	21,296
Grants receivable	228,923	213,508
	<hr/>	<hr/>
Total financial assets and liquid resources	594,277	577,298
Less: Board designated and donor imposed restrictions		
Time & purpose restriction	(74,290)	(43,230)
Board designated	(2,517)	(2,517)
	<hr/>	<hr/>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 517,470	\$ 531,551
	<hr/> <hr/>	<hr/> <hr/>

The Organization does not have a formal liquidity policy.

3. IN-KIND CONTRIBUTIONS

The Organization received the following contributions of nonfinancial assets for the years ending June 30:

	<u>2025</u>	<u>2024</u>
Donated materials and supplies	\$ 59,719	\$ 66,477
Donated rent	109,394	104,459
	<hr/>	<hr/>
TOTAL	\$ 169,113	\$ 170,936
	<hr/> <hr/>	<hr/> <hr/>

The Organization 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.

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

3. IN-KIND CONTRIBUTIONS (Continued)

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

The Organization has a conditional contribution for in-kind space through an agreement to utilize space in the Jubilee program through December 2106. This agreement can be cancelled by either party at any time.

4. BOARD DESIGNATED ENDOWMENT

As of June 30, 2025 and 2024, 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.

5. PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land	\$ 18,060	\$ 18,060
Buildings	187,473	187,473
Leasehold improvements	1,200,185	1,179,602
Vehicles	84,383	84,383
Furniture and equipment	159,527	148,821
	1,649,628	1,618,339
Less: Accumulated depreciation	(990,670)	(933,374)
PROPERTY AND EQUIPMENT, NET	<u>\$ 658,958</u>	<u>\$ 684,965</u>

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

6. LEASES

The Organization has operating leases for office space and apartments. Leases have remaining lease terms of one to five years.

The components of lease expense were as follows for the years ending June 30:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 13,200	\$ 13,200
Short-term lease cost	812,317	611,664
TOTAL	<u>\$ 825,517</u>	<u>\$ 624,864</u>

Other information related to leases was as follows as of June 30:

	<u>2025</u>	<u>2024</u>
Supplemental cash flows information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 12,650	\$ 12,050
Right-of-use assets obtained in exchange for lease obligation		
Operating leases	\$ -	\$ -
Weighted average remaining lease term		
Operating leases	2.9	3.9
Weighted average discount rate		
Operating leases	2.94%	2.94%

Future minimum lease payments under non-cancellable leases as of June 30, 2025 were as follows:

Year Ending June 30,

2026	\$ 13,250
2027	13,850
2028	<u>13,200</u>
Total future minimum lease payments	40,300
Less: Imputed interest	<u>(1,662)</u>
TOTAL	<u>\$ 38,638</u>

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

7. RENTAL INCOME

The Organization, as lessor, leases apartments to third parties under lease agreements which expire from October 31, 2024 through May 31, 2026. The total carrying value of the underlying buildings which are leased is \$81,578 and \$86,369 as of June 30, 2025 and 2024, respectively. The total rental income under the leases was \$52,100 and \$53,095 for the years ended June 30, 2025 and 2024, respectively.

The following is a summary of the future minimum rental income from operating leases with third parties having lease terms in excess of one year at June 30:

	<u>Amount</u>
2026	\$ 31,850
TOTAL	<u>\$ 31,850</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Restricted as to purpose		
Housing and supportive program services	\$ 74,290	\$ 43,230
TOTAL	<u>\$ 74,290</u>	<u>\$ 43,230</u>

9. CONTINGENCIES

The Organization received a grant through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which was forgiven by the Small Business Administration (SBA) during the year ending June 30, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full or forgiveness has been provided by the SBA and to provide documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

17335 Golf Parkway, Suite 500
Brookfield, WI 53045
262.754.9400

SIKICH.COM

**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, 2025, 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 17, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as Finding 2025-01 that we consider to be a material weakness.

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*.

Shelter Care Ministries Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 CPA LLC

Brookfield, Wisconsin
December 17, 2025

SHELTER CARE MINISTRIES, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the Year Ended June 30, 2025

I. Summary of Auditor’s Results

Financial Statements

Type of Auditors Report Issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

II. Financial Statement Findings

Material Weakness

FINDING 2025-01

Condition: We noted that the Organization did not consistently complete timely reconciliations of key account balances, including cash, tenant/grant receivables, and accounts payable for a majority of the fiscal year until a new Finance Director was hired in March 2025. Delays in reconciliations and lack of review increase the risk of errors, misstatements, and potential fraud going undetected.

We noted the Board is not actively involved in the oversight of the financial reporting process. Specifically, there is no evidence of timely review of monthly bank reconciliations or financial statements by the Board Treasurer or other Board members.

Recommendation: We recommend management establish a formal reconciliation schedule requiring all significant accounts (cash, receivables, and payables) to be reconciled monthly and reviewed promptly. The Organization should implement documented review procedures by the Board Treasurer or designated finance committee member to ensure oversight and accountability. Reconciliation checklists and sign-offs could be utilized to evidence completion and review. We recommend the Organization provide periodic training to Board members on their fiduciary responsibilities and the importance of financial oversight. These steps will strengthen internal controls, improve financial accuracy, and enhance governance oversight, improve financial transparency and reduce the risk of misstatements or control deficiencies.

SHELTER CARE MINISTRIES, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)

For the Year Ended June 30, 2025

II. Financial Statement Findings (Continued)

Management's Response: We acknowledge this finding. Since hiring a new Finance Director in March 2025, consistent monthly reconciliations are now completed for all key accounts including cash, receivables, and payables. The Board Treasurer's oversight responsibilities have been clarified, and financial statements continue to be reviewed and approved at each board meeting. We will implement formal reconciliation schedules with specific deadlines (by the 4th Wednesday of each month) and documented sign-offs. Reconciliation checklists will be used to evidence completion and review. We will provide Board training on fiduciary responsibilities by June 30, 2026.

Responsible Party: Finance Director and Board Treasurer

III. Prior Audit Findings

None

IV. Other Issues

Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern	<u> </u> Yes	<u> X </u> No
Does the audit report show audit issues (i.e. - material noncompliance, nonmaterial noncompliance, questioned costs, material weaknesses, reportable condition, management letter comment) related to grants/ contracts with funding agencies that require audits to be in accordance with the DHS audit guide: Illinois Department of Health Services	<u> X </u> Yes	<u> </u> No
Was a management letter or other document conveying audit comments issued as a result of this audit?	<u> X </u> Yes	<u> </u> No

Name and Signature of Director:



Ashley Johnson, CPA
December 17, 2025