

SHELTER CARE MINISTRIES, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
For the Year Ended
June 30, 2014

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INDEPENDENT AUDITORS' REPORT

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

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, 2014, and the related statements of activities and changes in net assets, 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, 2014, 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.

Rockford, Illinois
December 2, 2014

Wernberg & Co.

SHELTER CARE MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS:

Cash	\$ 16 505
Accounts receivable	6 064
Grants receivable	25 664
United Way services funding for the next fiscal year	20 519
Prepaid expenses	7 802
	76 554

PROPERTY AND EQUIPMENT, net of depreciation	1 346 663
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TOTAL ASSETS	\$ 1 423 217
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LIABILITIES:

Accounts payable	\$ 74 649
Line of credit	50 000
Accrued payroll taxes	6 548
Security deposit	2 550
Current portion, note payable	44 780
Notes payable, bank	467 610
TOTAL LIABILITIES	646 137

NET ASSETS:

Unrestricted	756 561
Temporarily restricted	20 519
TOTAL NET ASSETS	777 080

TOTAL LIABILITIES AND NET ASSETS	\$ 1 423 217
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SHELTER CARE MINISTRIES, INC.
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
For the year ended June 30, 2014

UNRESTRICTED NET ASSETS:

Revenue:

Illinois Department of Human Resources	132 742
Illinois Department of Commerce & Economic Opportunity	28 785
Department of Housing and Urban Development	222 887
Rosecrance/Janet Wattles Center	102 654
Episcopal Charities	45 000
Community funds	386 262
Fundraising	47 055
In kind support	204 811
Midtown rent revenue	77 152
United Way services	37 772
Loss on sale of property and equipment	(36 163)
Other income	375
TOTAL UNRESTRICTED REVENUE	<u>1 249 332</u>

NET ASSETS RELEASED FROM RESTRICTIONS,

United Way Services funding for the year	<u>38 080</u>
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TOTAL UNRESTRICTED REVENUE AND RECLASSIFICATIONS	<u>1 287 412</u>
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OPERATING EXPENSES	<u>1 271 087</u>
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INCREASE IN UNRESTRICTED NET ASSETS BEFORE DEPRECIATION	16 325
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DEPRECIATION	<u>39 365</u>
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DECREASE IN UNRESTRICTED NET ASSETS	<u>(23 040)</u>
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TEMPORARILY RESTRICTED NET ASSETS:

United Way Services funding for the next year	20 519
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NET ASSETS RELEASED FROM RESTRICTIONS, Expiration of restrictions	<u>(38 080)</u>
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DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(17 561)</u>
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DECREASE IN NET ASSETS	(40 601)
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NET ASSETS, beginning of year	<u>817 681</u>
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NET ASSETS, end of year	<u><u>\$ 777 080</u></u>
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SHELTER CARE MINISTRIES, INC.

SCHEDULE OF OPERATING EXPENSES BY FUNCTION

For the year ended June 30, 2014

	Homeless Program				Jubilee
	Emergency	Transit-	Permanent	Veteran	Jubilee
	Housing	ional	Housing	Housing	Drop-in
		Housing			Center
Transportation	\$ 2 703	\$ 182	-	-	\$ 251
Food	103	68	-	-	2 972
Client services	-	120	-	-	-
Scattered site housing:					
Rent and utilities	57 755	39 330	45 764	35 726	176
Furnishings	1 400	-	731	-	-
Maintenance	11 941	6 700	628	-	6 126
Salaries	70 623	34 170	21 395	19 193	137 554
Auto and truck	854	160	-	-	1 163
Program supplies	-	-	-	-	4 629
In-kind program supplies	-	-	-	-	50 384
Dues, publications and seminars	3 219	-	-	-	227
Office expenses	1 000	1 095	-	-	1 446
Insurance	16 871	6 418	-	-	3 136
Professional fees	6 916	6 916	6 916	6 916	6 916
Payroll taxes	8 056	-	-	-	12 956
Travel	157	143	-	-	12
Repairs & maintenance	-	-	-	-	-
Rent & utilities	-	-	-	-	-
In-kind rent	8 629	8 629	8 629	8 629	8 628
Telephone	2 219	2 218	-	-	314
Advertising	-	-	-	-	365
Outside services	-	-	-	-	1 286
Fundraising	-	-	-	-	-
Donations	-	-	-	-	50
Interest expense	1 414	1 414	1 414	1 414	1 413
Miscellaneous	55	12	-	-	453
Bad debt	-	-	-	-	-
	<u>\$ 193 915</u>	<u>\$ 107 575</u>	<u>\$ 85 477</u>	<u>\$ 71 878</u>	<u>\$ 240 457</u>

MAYA's House	Employment Services	Bailey Housing Project	Total Program Expenses	Management and General	Fundraising	Total Expenses
-	-	-	\$ 3 136	-	-	\$ 3 136
51	-	-	3 194	-	-	3 194
-	-	-	120	-	-	120
3 065	-	-	181 816	-	-	181 816
-	20 561	-	22 692	-	-	22 692
17	5 766	2 397	33 575	-	-	33 575
66 849	60 861	-	410 645	99 120	-	509 765
-	300	-	2 477	1 022	-	3 499
411	-	-	5 040	-	-	5 040
-	-	-	50 384	-	-	50 384
-	-	-	3 446	5 848	-	9 294
508	1 033	1 247	6 329	18 784	-	25 113
3 226	1 561	8 585	39 797	17 950	-	57 747
6 916	7 116	9 245	57 857	16 138	-	73 995
5 435	-	-	26 447	15 685	-	42 132
-	-	-	312	761	-	1 073
-	-	46 097	46 097	-	-	46 097
-	18 000	72 335	90 335	-	-	90 335
8 628	8 628	-	60 400	-	-	60 400
1 803	-	2 839	9 393	4 690	-	14 083
-	-	-	365	9 842	-	10 207
-	-	-	1 286	-	-	1 286
-	-	-	-	-	10 586	10 586
-	-	-	50	-	-	50
1 413	1 413	1 646	11 541	-	-	11 541
-	30	2 927	3 477	-	-	3 477
-	-	-	-	450	-	450
<u>\$ 98 322</u>	<u>\$ 125 269</u>	<u>\$ 147 318</u>	<u>\$ 1 070 211</u>	<u>\$ 190 290</u>	<u>\$ 10 586</u>	<u>\$ 1 271 087</u>

The accompanying notes are an integral part of the financial statements.

SHELTER CARE MINISTRIES, INC.

STATEMENT OF CASH FLOWS
For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Revenue received	\$ 1 116 451
Cash paid to suppliers and employees	(1 122 311)
Interest paid	(11 541)
Loss on sale of property and equipment	36 163
Net cash provided by operating activities	18 762

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of property and equipment	50 000
Purchase property and equipment	(477 000)
Net cash used for investing activities	(427 000)

CASH FLOWS USED FOR FINANCING ACTIVITIES,

Increase notes payable, bank	417 362
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NET INCREASE IN CASH 9 124

CASH, beginning of year 7 381

CASH, end of year \$ 16 505

Supplemental schedule of non-cash operating activities:

Support recognized as program supplies	\$ 50 384
Non-cash donation of rent expense	60 400
Non-cash donations of property and equipment	94 027
Total non-cash	\$ 204 811

SHELTER CARE MINISTRIES, INC.

STATEMENT OF CASH FLOWS (Continued)
For the year ended June 30, 2014

RECONCILIATION OF DECREASE IN NET ASSETS TO CASH
PROVIDED BY OPERATING ACTIVITIES:

Decrease in net assets	<u>\$ (40,601)</u>
Adjustments to reconcile net income to cash from operating activities:	
In-kind donation of property and equipment	(94,027)
Loss on sale of property and equipment	36,163
Depreciation	39,365
Increase in accounts receivable	(3,564)
Decrease in grants receivable	38,372
Decrease United Way services funding for the next fiscal year	16,603
Increase in prepaid expenses	(4,467)
Increase in accounts payable and security deposits	35,479
Decrease in accrued expenses	(3,861)
Decrease in deferred revenue	<u>(700)</u>
Total adjustments	59,363
Cash provided by operating activities	<u><u>\$ 18,762</u></u>

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NATURE OF OPERATIONS

Shelter Care Ministries is a non-profit organization organized to provide shelter and promote the welfare of people who are homeless in the Rockford area.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectable unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property, equipment and depreciation

It is the Organization's policy to capitalize property and equipment over \$1,000. Property and equipment is recorded at cost. Donated items are recorded at fair market value on the date of the gift.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets.

Income Taxes

Shelter Care was incorporated as a non-profit Illinois corporation which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization accounts for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 "Income Taxes". FASB ASC 740 provides detail guidance for the financial statement recognition, measurement and disclosure of income taxes and uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position only when it is more-likely-than-not that the position will be sustained upon examination. The application of the provisions of FASB ASC 740 did not result in the creation of unrecognized tax benefits as of June 30, 2014.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2011.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 2 - IN-KIND SUPPORT

Since the Shelter Care offices are provided by Emmanuel Episcopal Church at no charge, an estimate of \$60,400, has been reflected in the accompanying financial statements as revenue with a like amount included as rent expense. Additional in-kind revenue totaling \$144,411 has been reflected in 2014. The donations are reflected in the accompanying financial statement as support with a like amount included as building, vehicles, equipment and program supplies.

Additionally, many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its activities.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable are expected to be collected within one year.

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements at June 30, 2014 are summarized as follows:

	Cost <u>July 1, 2013</u>	Acquisitions/ <u>(Disposals)</u>	Cost <u>June 30, 2014</u>
Non Depreciable:			
Land	\$ 10 000	\$ 47 700	\$ 57 700
Depreciable:			
Building and improvements	1 270 925	429 300	1 700 225
Vehicle	31 020	5 451	36 471
Equipment	150 385	1 600	151 985
Less: accumulated depreciation	<u>(561 166)</u>	<u>(38 552)</u>	<u>(599 718)</u>
Net property and equipment	<u>\$ 901 164</u>	<u>\$ 445 499</u>	<u>\$ 1 346 663</u>

NOTE 5 - LEASE COMMITMENTS

Shelter Care Ministries leases scattered site housing under various short-term agreements. Rent and utilities for this housing totaled \$181,816 for the year ended June 30, 2014.

NOTE 6 - NOTES PAYABLE, BANK

Notes payable-bank consisted of the following at June 30, 2014:

Note payable, requiring monthly payments of \$1,011 including interest at 5.5 percent per annum, unpaid balance due September 2018, collateralized by land	\$ 86,355
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Note payable, requiring monthly payments of \$2,703 including interest at 5 percent per annum, unpaid balance due December 2026, collateralized by real estate	297,276
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Note payable, requiring monthly payments of \$716 including interest at 5 percent per annum, unpaid balance due December 2017, collateralized by real estate	83,802
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SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NOTES PAYABLE, BANK (Continued)

Note payable, requiring monthly Payments of \$1,324 including interest at 5 percent per annum, unpaid balance due June 2017, collateralized by real estate	44,151
Capital lease requiring monthly payments of \$74, including interest at 18.45 percent per annum, collateralized by equipment with a cost of \$2,500	<u>806</u> 512,390
Less current portion	<u>44,780</u>
Total Notes Payable, bank	<u>\$ 467,610</u>

Future principle payments required by the long-term note is summarized as follows:

<u>Year</u>	<u>June 30,</u>
2015	\$ 44,780
2016	46,276
2017	48,689
2018	99,346
2019	75,628
Thereafter	<u>197,671</u>
	<u>\$512,390</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist United Way Services funding of \$20,519 at June 30, 2014.

NOTE 8 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through December 2, 2014, the date the financial statements were available to be issued, and have concluded that there are no significant subsequent events that would require adjustment to or disclosure in the financial statements.

SUPPLEMENTAL MATERIAL

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statement of revenue and expenses by program on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Weinberg & Co.

Certified Public Accountants

December 2, 2014
Rockford, Illinois

SHELTER CARE MINISTRIES, INC.

SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENSES BY PROGRAM

For the year ended June 30, 2014

	Homeless Program				Jubilee Drop-in Center
	Emergency Housing	Transit- ional Housing	Permanent Support	Veteran Housing	
REVENUE:					
Illinois Department of Human Services	\$ 132 742	\$ -	\$ -	\$ -	\$ -
Janet Wattles Center	-	-	-	-	102 654
Episcopal Charities	5 767	13 633	7 220	2 640	-
United Way	7 719	20 000	-	-	-
Midtown rent revenue	-	-	-	-	-
Illinois Department of Commerce & Economic Opportunity	28 785	-	-	-	-
Department of Housing and Urban Development	27 446	41 799	45 163	43 607	-
Community Funds	41 007	34 500	-	-	13 257
Gain/(loss) on sale	-	(36 163)	-	-	-
Fundraising	-	-	-	-	314
In-Kind Revenue	-	87 000	-	-	57 411
	243 466	160 769	52 383	46 247	173 636
Other revenue					
Health care refundable credit	-	-	-	-	-
TOTAL REVENUE	243 466	160 769	52 383	46 247	173 636
OPERATING EXPENSES	193 915	107 575	85 477	71 878	240 457
INCREASE (DECREASE) IN NET ASSETS BEFORE DEPRECIATION	49 551	53 194	(33 094)	(25 631)	(66 821)
DEPRECIATION	157	4 087	-	-	29 659
INCREASE (DECREASE) IN NET ASSETS	\$ 49 394	\$ 49 107	\$ (33 094)	\$ (25 631)	\$ (96 480)

MAYA's House	Employment Services	Bailey Housing Project	Total Program Income	Management and General	Fundraising	Totals
\$ -	\$ -	\$ -	\$ 132 742	\$ -	\$ -	\$ 132 742
-	-	-	102 654	-	-	102 654
620	-	-	29 880	15 120	-	45 000
12 176	18 396	-	58 291	-	-	58 291
-	-	77 152	77 152	-	-	77 152
-	-	-	-	-	-	-
-	-	-	28 785	-	-	28 785
-	64 872	-	222 887	-	-	222 887
30 558	3 024	-	122 346	263 916	-	386 262
-	-	-	(36 163)	-	-	(36 163)
-	-	-	314	46 741	-	47 055
-	-	-	144 411	60 400	-	204 811
43 354	86 292	77 152	883 299	386 177	-	1 269 476
-	-	-	-	375	-	375
43 354	86 292	77 152	883 299	386 552	-	1 269 851
98 322	125 269	147 318	1 070 211	190 290	10 586	1 271 087
(54 968)	(38 977)	(70 166)	(186 912)	196 262	(10 586)	(1 236)
-	-	2 212	36 115	3 250	-	39 365
\$ (54 968)	\$ (111 672)	\$ (67 954)	\$ (291 298)	\$ 199 512	\$ (10 586)	\$ (40 601)