

SHELTER CARE MINISTRIES, INC.

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

For the years ended June 30, 2018 and 2017

SHELTER CARE MINISTRIES, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Shelter Care Ministries, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2018 and 2017 the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shelter Care Ministries, Inc. as of June 30, 2018 and 2017 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Shelter Care Ministries, Inc. taken as a whole. The supplementary information on page 16-17, including the "Grant Report" for the

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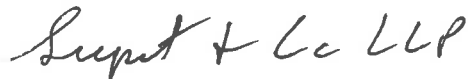
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State of Illinois fiscal year ended June 30, 2018, is presented for purposes of additional analysis as required by the Illinois Department of Human Services, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Shelter Care Ministries, Inc. taken as a whole. The supplementary information on pages 19-22, including the "Consolidated Year-End Financial Report" for the State of Illinois Fiscal Year ended June 30, 2018, is presented for purposes of additional analysis as required by the Illinois Department of Human Services and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

SIEPERT & CO., LLP

A handwritten signature in cursive script that reads "Siefert & Co. LLP".

Beloit, Wisconsin
December 26, 2018

SHELTER CARE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 129,832	\$ 12,944
Accounts receivable	111,170	94,099
Property held for sale	<u>--</u>	<u>310,978</u>
Total current assets	241,002	418,021
Cash and cash equivalents designated for endowment	2,432	4,375
Property and equipment, net of accumulated depreciation	<u>819,416</u>	<u>836,555</u>
Total assets	<u>\$1,062,850</u>	<u>\$1,258,951</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 7,944	\$ 21,187
Other liabilities	10,431	14,698
Accrued payroll liabilities	15,107	16,393
EEC loan	8,000	10,500
Current portion of notes payable	<u>29,625</u>	<u>330,008</u>
Total current liabilities	71,107	392,786
Notes payable, long term	<u>46,648</u>	<u>76,273</u>
Total liabilities	<u>117,755</u>	<u>469,059</u>
NET ASSETS		
Unrestricted:		
Board designated endowment	2,432	4,375
Undesignated	<u>910,062</u>	<u>758,517</u>
Total unrestricted	912,494	762,892
Temporarily restricted	<u>32,601</u>	<u>27,000</u>
Total net assets	<u>945,095</u>	<u>789,892</u>
Total liabilities and net assets	<u>\$1,062,850</u>	<u>\$1,258,951</u>

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.

STATEMENT OF ACTIVITIES

for the year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating support and revenue			
Contributions	\$ 352,204	\$32,601	\$ 384,805
Grants, state and local	614,063	--	614,063
In-kind contributions	192,598	--	192,598
Midtown rental income	65,421	--	65,421
Fundraising	63,673	--	63,673
Other income	2,149	--	2,149
Net assets released from:			
Time restrictions	<u>27,000</u>	(<u>27,000</u>)	<u>--</u>
Total operating support and revenue	<u>1,317,108</u>	<u>5,601</u>	<u>1,322,709</u>
Operating expenses			
Programs:			
Homeless program:			
Emergency housing	119,665	--	119,665
Transitional housing	267,190	--	267,190
Permanent housing	93,836	--	93,836
Veteran housing	65,177	--	65,177
Jubilee drop-in center	270,795	--	270,795
MAYA's house	85,407	--	85,407
Bailey housing project	<u>13,308</u>	<u>--</u>	<u>13,308</u>
Total program expenses	915,378	--	915,378
Management and general	220,489	--	220,489
Fundraising	<u>31,639</u>	<u>--</u>	<u>31,639</u>
Total operating expenses	<u>1,167,506</u>	<u>--</u>	<u>1,167,506</u>
Change in net assets	149,602	5,601	155,203
Net assets, beginning of year	<u>762,892</u>	<u>27,000</u>	<u>789,892</u>
Net assets, end of year	<u>\$ 912,494</u>	<u>\$32,601</u>	<u>\$ 945,095</u>

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.

STATEMENT OF ACTIVITIES

for the year ended June 30, 2017

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

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM

Year Ended June 30, 2018

	<u>Homeless Program</u>				Jubilee
	<u>Emergency</u>	<u>Transitional</u>	<u>Permanent</u>	<u>Veterans</u>	<u>Drop-in</u>
	<u>Housing</u>	<u>Housing</u>	<u>Housing</u>	<u>Housing</u>	<u>Center</u>
Client transportation	\$ 3,072	\$ --	\$ --	\$ --	\$ 361
Client food	--	--	--	--	3,468
Scattered site housing:					
Rent and utilities	43,046	149,708	64,841	44,921	--
Furnishings	2,355	2,194	4,157	3,531	--
Maintenance	1,782	5,821	844	2,406	20
Salaries	32,425	63,893	20,082	11,920	128,961
Auto and truck	628	368	--	--	28
Program supplies	--	--	--	--	2,384
In-kind program supplies	25,168	25,168	--	--	25,169
Dues, publications and seminars	1,822	--	--	--	--
Office expense	--	--	--	--	74
Insurance	2,533	6,159	715	381	3,395
Professional fees	600	1,514	--	--	284
Payroll taxes	5,874	10,901	3,197	2,018	12,898
Travel	--	--	--	--	--
Repairs and maintenance	--	--	--	--	745
Rent and utilities	--	--	--	--	--
In-kind rent	--	--	--	--	61,980
Telephone	360	--	--	--	540
Advertising	--	--	--	--	--
Fundraising	--	--	--	--	--
Interest expense	--	--	--	--	--
Miscellaneous	--	--	--	--	2,720
Bad debt expense	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total expenses before depreciation and loss on disposal of assets	119,665	265,726	93,836	65,177	243,027
Loss on disposal of assets	--	--	--	--	--
Depreciation	<u>--</u>	<u>1,464</u>	<u>--</u>	<u>--</u>	<u>27,768</u>
Total expenses	<u>\$119,665</u>	<u>\$267,190</u>	<u>\$93,836</u>	<u>\$65,177</u>	<u>\$270,795</u>

See accompanying notes to financial statements.

<u>MAYA'S</u> <u>House</u>	<u>Bailey</u> <u>Housing</u> <u>Project</u>	<u>Total</u> <u>Program</u> <u>Expenses</u>	<u>Management</u> <u>and general</u>	<u>Fundraising</u>	<u>Total</u> <u>Expenses</u>
\$ --	\$ --	\$ 3,433	\$ ---	\$ --	\$ 3,433
263	--	3,731	--	--	3,731
--	--	302,516	--	--	302,516
--	--	12,237	--	--	12,237
--	--	10,873	--	--	10,873
38,205	--	295,486	110,065	--	405,551
--	--	1,024	5,539	--	6,563
298	--	2,682	--	--	2,682
25,168	--	100,673	--	--	100,673
--	--	1,822	41	--	1,863
66	--	140	6,262	--	6,402
94	642	13,919	23,689	--	37,608
--	1,698	4,096	10,396	19,380	33,872
4,248	--	39,136	223	--	39,359
--	--	--	--	--	--
--	--	745	10,776	--	11,521
3,120	3,221	6,341	17,859	--	24,200
10,800	--	72,780	145	--	72,925
1,571	--	2,471	7,788	--	10,259
--	--	--	378	--	378
--	--	--	--	12,259	12,259
--	3,355	3,355	1,375	--	4,730
493	--	3,213	5,489	--	8,702
<u>--</u>	<u>--</u>	<u>--</u>	<u>9,106</u>	<u>--</u>	<u>9,106</u>
84,326	8,916	880,673	209,131	31,639	1,121,443
--	--	--	6,051	--	6,051
<u>1,081</u>	<u>4,392</u>	<u>34,705</u>	<u>5,307</u>	<u>--</u>	<u>40,012</u>
<u>\$85,407</u>	<u>\$13,308</u>	<u>\$915,378</u>	<u>\$220,489</u>	<u>\$31,639</u>	<u>\$1,167,506</u>

SHELTER CARE MINISTRIES, INC

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM

Year Ended June 30, 2017

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

See accompanying notes to financial statements.

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

SHELTER CARE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS
for the years ended June 30, 2018 and 2017

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2018</u>	<u>2017</u>
Change in net assets	\$155,203	(\$191,615)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contribution of property and equipment	(19,000)	(28,938)
Loss on disposal of asset	6,051	205
Depreciation	40,012	49,463
Write down impaired asset	--	131,623
Accounts receivable	(17,071)	122,267
Prepaid expenses	--	3,737
Accounts payable	(13,243)	(25,581)
Accrued payroll liabilities	(1,286)	(14,395)
Other liabilities	(<u>4,267</u>)	(<u>8,655</u>)
Net cash from operating activities	<u>146,399</u>	<u>55,421</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(9,924)	(1,977)
Property held for sale	<u>310,978</u>	<u>--</u>
Net cash from investing activities	<u>301,054</u>	(<u>1,977</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on EEC loan	(2,500)	(1,500)
Payments on notes payable	(<u>330,008</u>)	(<u>58,029</u>)
Net cash from financing activities	(<u>332,508</u>)	(<u>59,529</u>)
Net change in cash and cash equivalents	114,945	(6,085)
Cash and cash equivalents, beginning of year	<u>17,319</u>	<u>23,404</u>
Cash and cash equivalents, end of year	<u>\$132,264</u>	<u>\$ 17,319</u>

***Supplemental Information:**

Interest paid in 2018 and 2017 was \$4,730 and \$23,222, respectively.

The value of donated property and equipment in 2018 and 2017 was \$19,000 and \$28,938, respectively.

See accompanying notes to financial statements.

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

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

ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

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

Unconditional Promises to Give

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

Donated Assets and Services

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

Property and Equipment

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

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, Continued

ACCOUNTING POLICIES, Continued

Functional Allocation of Expenses

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

Advertising Costs

It is the Organization's policy to expense advertising costs as incurred. Advertising costs were \$378 and \$2,555 in 2018 and 2017, respectively.

Income Tax

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

Use of Estimates by Management

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 26, 2018 which was the date these financial statements were available for issuance, and determined that there were no significant non-recognized events through that date.

NOTE C ACCOUNTS RECEIVABLE

The following summarizes accounts receivable as of June 30:

	<u>2018</u>	<u>2017</u>
Accounts receivable-Midtown	\$ --	\$ 4,030
Grants receivable	64,769	34,558
Pledges receivable	12,000	15,000
Property receivable	--	5,460
Other receivables	1,800	8,051
United Way receivable	<u>32,601</u>	<u>27,000</u>
Total	<u>\$111,170</u>	<u>\$94,099</u>

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D PROPERTY AND EQUIPMENT

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

	<u>7/01/17</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/18</u>
Non-depreciable:				
Land	\$ 18,651	\$ 5,460	(\$6,051)	\$ 18,060
Depreciable:				
Buildings and improvements	1,320,262	--	--	1,320,262
Vehicles	22,818	--	--	22,818
Equipment, furnishings and fixtures	93,280	23,464	--	116,744
	1,455,011	28,924	(6,051)	1,477,884
Accumulated depreciation	(618,456)	(40,012)	--	(658,468)
Net property and equipment	<u>\$ 836,555</u>	<u>(\$11,088)</u>	<u>(\$6,051)</u>	<u>\$ 819,416</u>
	<u>7/01/16</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/17</u>
Non-depreciable:				
Land	\$ 63,451	\$ 2,900	(\$ 47,700)	\$ 18,651
Depreciable:				
Buildings and improvements	1,727,414	23,400	(430,552)	1,320,262
Vehicles	45,240	2,938	(25,360)	22,818
Equipment, furnishings and fixtures	91,303	1,977	--	93,280
	1,927,408	31,215	(503,612)	1,455,011
Accumulated depreciation	(629,499)	(49,463)	60,506	(618,456)
Net property and equipment	<u>\$1,297,909</u>	<u>(\$18,248)</u>	<u>(\$443,106)</u>	<u>\$ 836,555</u>

Depreciation charged to operations in 2018 and 2017 was \$40,012 and \$49,463, respectively.

NOTE E INCOME TAXES

The Organization follows the requirements for accounting for uncertain tax positions issued by the Financial Accounting Standards Board (FASB). The Organization does not believe the financial statements include (or reflect) any uncertain tax positions. The Organization files tax returns for the United States and Illinois and is subject to examination by taxing authorities. The Organization's tax returns beginning in 2014 are open, by statute, for review by authorities. However, at present there are no ongoing income tax audits or unresolved disputes with the various tax authorities the Organization currently files or has filed with.

NOTE FI OPERATING LEASES

The Organization leases scattered site housing under various short-term agreements. Rent and utilities for this housing totaled \$302,516 and \$220,518 for the years ended June 30, 2018 and 2017, respectively.

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

SHELTER CARE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G LONG-TERM DEBT

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

	<u>2018</u>	<u>2017</u>
Commercial note payable in monthly installments of \$959 including principal and interest at 5.0%, unpaid balance due July 2020, collateralized by all the assets of the Organization	\$ 22,686	\$ 32,803
Mortgage payable in monthly installments of \$1,011 including principal and interest at 5.5%, unpaid balance due September 2018, collateralized by land	53,587	62,500
Mortgage payable in monthly installments of \$2,703 including principal and interest at 5%, unpaid balance due December 2026, collateralized by real estate	--	241,185
Mortgage payable in monthly installments of \$716 including principal and interest at 5%, unpaid balance due December 2017, collateralized by real estate	<u>--</u>	<u>69,793</u>
	76,273	406,281
Less current maturities	<u>29,625</u>	<u>330,008</u>
	<u>\$46,648</u>	<u>\$ 76,273</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/19	<u>\$29,625</u>	<u>\$2,861</u>	<u>\$32,486</u>
6/30/20	18,654	1,988	20,642
6/30/21	8,742	1,240	9,982
6/30/22	8,317	813	9,130
6/30/23	8,765	365	9,130
6/30/24	<u>2,170</u>	<u>19</u>	<u>2,189</u>
	<u>46,648</u>	<u>4,425</u>	<u>51,073</u>
	<u>\$76,273</u>	<u>\$7,286</u>	<u>\$83,559</u>

In September 2019, the organization renewed their mortgage for an additional five year term with an interest rate of 5.25%. As part of this renewal the organization was required to make a payment of \$12,036 to reduce the loan balance to \$40,000 at the time of renewal.

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE H BOARD DESIGNATED ENDOWMENT

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

The Organization's management has interpreted IL UPMIFA as requiring the preservation of the fair value of original gifts as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to permanent endowments, (b) the original value of subsequent gifts to permanent endowments, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Remaining portions of donor-restricted endowment funds not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by IL UPMIFA. At June 30, 2017 the Organization had no donor-imposed permanently restricted endowments.

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

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

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

Total Board designated endowment funds were \$2,432 and \$4,375 at June 30, 2018 and 2017, respectively.

NOTE I TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the United Way pledges receivable of \$32,601 and \$27,000 at June 30, 2018 and 2017, respectively.

NOTE J IMPAIRMENT OF ASSETS

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

SHELTER CARE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE J **IMPAIRMENT OF ASSETS** (Continued)

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

NOTE K **NEW ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board (FASB) has issued a number of new pronouncements that will affect the accounting for nonprofit organizations. They are:

- Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers. This will amend revenue recognition to a more principle based accounting. It will be effective for the Organization's year ending June 30, 2020.
- ASU 2016-02 Leases. This will amend the treatment of operating leases by lessees by requiring them to be recorded on the Statement of Financial Position as an asset and a liability. It will be effective for the Organization's year ending June 30, 2021.
- ASU 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. It will amend the current net asset classification requirements to include only two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and the accounting and presentation of net assets. It will also provide more clarity regarding liquidity, transparency in reporting of financial performance measures and consistency in reporting expenses by function and nature. It will be effective for the Organization's year ending June 30, 2019.

Management is in the process of reviewing its records to ensure the Organization is prepared to implement the new standards as required. No determination has been made as to the effect of these on the Organization's financial statements.

Supplemental Information



State of Illinois
Department of Human Services

GRANT ALLOWABLE COST SUMMARY

GRANT REPORT for the period July 1 through June 30, 2018

AGENCY NAME: Shelter Care Ministries

FEIN: 36-3374370

		IDHS GRANT - FUNDED SERVICES					ALL OTHER PROGRAMS	MANAGEMENT & GENERAL	TOTAL
		PROGRAM 1	PROGRAM 2	PROGRAM 3	PROGRAM 4	PROGRAM 5			
	PROGRAM NAME/NUMBER/ ONTRACT NUMBER/OTHER IDENTIFICATION	FCSWH00524							
A	DIRECT PROGRAM EXPENSES	112,832							
B	ALLOCATE MANAGEMENT AND GENERAL COSTS (NOTE 1)	19,910							-0-
C	SUBTOTAL A & B	132,742						-0-	
D	SUBTRACT UNALLOWABLE COST PER PAGE 2	none							
E	ADD OTHER APPROVED USES (ATTACH DOCUMENTATION)	none							
F	TOTAL ALLOWABLE COSTS	132,742							
G	SPECIAL PROVISIONS (SEE INSTRUCTIONS)	none							
H	INTEREST EARNED (SEE INSTRUCTIONS)	none							

NOTE 1: Management and General costs are allocated based on: ☐ direct salaries, ☐ total direct costs, ☐ other basis (attach explanation)

Please visit the following IDHS web page for the instructions mentioned in this form (these instructions are listed in each fiscal years financial reporting web link) [http // www.dhs.state.il.us/page.aspx?item=59675](http://www.dhs.state.il.us/page.aspx?item=59675)



UNALLOWABLE COST REPORT

Agency Name: Shelter Care Ministries

FEIN: 36-3374370

	IDHS GRANT-FUNDED SERVICES				
	PROGRAM 1	PROGRAM 2	PROGRAM 3	PROGRAM 4	PROGRAM 5
Program Name/Number/Contract Number	FCSWH00524				
Unallowable Costs (see instructions)					
Compensation of Governing Body					
Entertainment					
Associate Dues					
Meetings and Conventions					
Fundraising					
Bad Debt					
Charity and Grants					
Unallowable Interest					
Inventories					
Depreciation of IDHS - Funded Assets					
Cost of Production					
In-Kind Expenses					
Alcoholic Beverages					
Personal Automobile					
Fines and Penalties					
Personal Use Items					
Lobbying					
Unallowable Relocation					
Gratuities					
Political Contributions					
Related Party Transactions					
Costs Where a Conflict of Interest Exists					
Unallowable Cost if Program is Federally Funded or Cost Restricted by Contract (See Instructions)					
Explain:					
Explain:					
Total Unallowable Costs (to line D of Grant Report) - See below if None					
If no unallowable costs are listed, sign and date as follows: I certify that no unallowable costs are included in either direct costs or allocated Management and General costs on the Grant Report.					

Printed Name: Trisha Blassage

Title: Finance Director

Signature: Trisha Blassage

Date: 12/7/18

Please visit the following IDHS web page for the instructions mentioned in this form (these instructions are listed in each fiscal years financial reporting web link): <http://www.dhs.state.il.us/page.aspx?item=59675>

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Grantee Name	Shelter Care Ministries
ID Numbers	AUDIT:12591 Grantee:673372 DUNS:609264098 FEIN:363374370
Audit Period	7/1/2017 - 6/30/2018
Submitted	12/07/2018; Trisha Blassage; Finance Director; tblassage@shelter-care.org; 8159645520
Accepted	
Program Count	2

All Programs Total				
Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	79,408.00	79,991.00	20,789.00	180,188.00
Fringe Benefits	0.00	13,202.00	10,046.00	23,248.00
Travel	4,066.00	0.00	361.00	4,427.00
Equipment	1,330.00	0.00	0.00	1,330.00
Supplies	3,328.00	10,152.00	15,920.00	29,400.00
Contractual Services	0.00	0.00	0.00	0.00
Consultant (Professional Services)	0.00	0.00	0.00	0.00
Construction	0.00	0.00	0.00	0.00
Occupancy - Rent and Utilities	62,422.00	219,378.00	78,719.00	360,519.00
Research and Development	0.00	0.00	0.00	0.00
Telecommunications	2,190.00	0.00	2,395.00	4,585.00
Training and Education	1,822.00	0.00	0.00	1,822.00
Direct Administrative Costs	19,910.00	0.00	3,753.00	23,663.00
Miscellaneous Costs	13,866.00	145.00	0.00	14,011.00
All Grant Specific Categories	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	188,342.00	322,868.00	131,983.00	643,193.00
Indirect Costs	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	188,342.00	322,868.00	131,983.00	643,193.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

State Agency	Department Of Human Services (444)
Program Name	Emergency and Transitional Housing Program (444-80-0656)
Program Limitations	No
Mandatory Match	Yes 25
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	23,808.00	0.00	5,600.00	29,408.00
Travel	4,066.00	0.00	0.00	4,066.00
Equipment	1,330.00	0.00	0.00	1,330.00
Supplies	3,328.00	0.00	0.00	3,328.00
Occupancy - Rent and Utilities	62,422.00	0.00	27,600.00	90,022.00
Telecommunications	2,190.00	0.00	0.00	2,190.00
Training and Education	1,822.00	0.00	0.00	1,822.00
Direct Administrative Costs	19,910.00	0.00	0.00	19,910.00
Miscellaneous Costs	13,866.00	0.00	0.00	13,866.00
TOTAL DIRECT EXPENDITURES	132,742.00	0.00	33,200.00	165,942.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

State Agency	Department Of Human Services (444)
Program Name	Emergency Solutions Grant Program (444-80-0496)
Program Limitations	No
Mandatory Match	Yes 100
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	55,600.00	0.00	2,180.00	57,780.00
Fringe Benefits	0.00	0.00	7,420.00	7,420.00
Travel	0.00	0.00	361.00	361.00
Supplies	0.00	0.00	8,571.00	8,571.00
Occupancy - Rent and Utilities	0.00	0.00	30,920.00	30,920.00
Telecommunications	0.00	0.00	2,395.00	2,395.00
Direct Administrative Costs	0.00	0.00	3,753.00	3,753.00
TOTAL DIRECT EXPENDITURES	55,600.00	0.00	55,600.00	111,200.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Program Name	Other grant programs and activities
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Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	79,991.00	13,009.00	93,000.00
Fringe Benefits	0.00	13,202.00	2,626.00	15,828.00
Supplies	0.00	10,152.00	7,349.00	17,501.00
Occupancy - Rent and Utilities	0.00	219,378.00	20,199.00	239,577.00
Miscellaneous Costs	0.00	145.00	0.00	145.00
TOTAL DIRECT EXPENDITURES	0.00	322,868.00	43,183.00	366,051.00

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Program Name	All other costs not allocated
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Category	State	Federal	Other	Total
	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	0.00	0.00	0.00	0.00