

LAWRENCE COMMUNITY SHELTER, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 and 2024



LAWRENCE COMMUNITY SHELTER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lawrence Community Shelter, Inc.

Opinion

We have audited the accompanying financial statements of the Lawrence Community Shelter, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 Lawrence Community Shelter, Inc., as of December 31, 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 Lawrence Community Shelter, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lawrence Community Shelter, Inc.'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 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, intentional omissions, 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, 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 Lawrence Community Shelter'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 Lawrence Community Shelter'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.

Schmidt & Associates, CPAs, P.A.

Schmidt & Associates, CPAs, P.A.

Topeka, Kansas

April 24, 2026

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENTS OF FINANCIAL POSITION
For the Years Ended

Assets

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Current assets		
Cash and cash equivalents	\$ 631,695	\$ 961,183
Accounts receivable	44,844	11,173
Grant receivable	33,103	152,212
Prepaid expenses	10,972	-
Other current assets	2,441	3,271
Total current assets	<u>723,055</u>	<u>1,127,839</u>
Property and equipment, net	<u>3,629,774</u>	<u>3,195,166</u>
Total assets	<u>\$ 4,352,829</u>	<u>\$ 4,323,005</u>

Liabilities and Net Assets

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Current liabilities		
Accounts payable	\$ 60,292	\$ 141,807
Accrued payroll	71,475	65,123
Accrued payroll taxes	7,147	8,726
Other current liabilities	-	124
Notes payable – current portion	15,848	15,534
Total current liabilities	<u>154,762</u>	<u>231,314</u>
Long-term liabilities		
Note payable, net of current portion	<u>304,240</u>	<u>323,644</u>
Total long-term liabilities	<u>304,240</u>	<u>323,644</u>
Total liabilities	<u>459,002</u>	<u>554,958</u>
Net assets		
Net assets without donor restrictions	<u>3,893,827</u>	<u>3,768,047</u>
Total net assets	<u>3,893,827</u>	<u>3,768,047</u>
Total liabilities and net assets	<u>\$ 4,352,829</u>	<u>\$ 4,323,005</u>

The accompanying notes are an integral part of these financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Revenues and support		
Contributions	\$ 337,999	\$ 261,045
Grants and awards	3,848,995	3,971,525
Events, fundraisers and other	126,938	-
Total support and revenue	<u>4,313,932</u>	<u>4,232,570</u>
Expenses		
Program services	3,527,415	3,014,248
Management and general	474,883	151,051
Fundraising	185,854	54,384
Total expenses	<u>4,188,152</u>	<u>3,219,683</u>
Change in net assets	125,780	1,012,887
Net assets without donor restrictions, at beginning of year	<u>3,768,047</u>	<u>2,755,160</u>
Net assets without donor restrictions at end of year	<u>\$ 3,893,827</u>	<u>\$ 3,768,047</u>

The accompanying notes are an integral part of these financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2025

	Program Services	Management & General	Fundraising	Total Expenses
Salaries and wages	\$ 2,237,745	\$ 245,823	\$ 50,685	\$ 2,534,253
Payroll taxes	198,947	21,855	4,506	225,308
Payroll advance	-	-	-	-
Employee benefits	259,737	28,533	5,883	294,153
Direct assistance	46,939	-	-	46,939
Insurance	33,725	916	2,017	36,658
Computer/IT	41,751	1,135	2,496	45,382
Hardware	-	4,795	-	4,795
Program expenses	-	-	-	-
Vehicles	-	8,582	-	8,582
Staff development	-	3,916	-	3,916
Professional services	-	126,858	-	126,858
Website and social media	-	-	32,236	32,236
Strategic development	-	-	32,500	32,500
Utilities	134,717	3,661	8,054	146,432
Program supplies	306,622	-	-	306,622
Office supplies	-	14,577	-	14,577
Storage rental	-	-	2,506	2,506
Repairs and maintenance	79,265	2,154	4,739	86,158
Depreciation	187,967	5,108	11,237	204,312
Interest expense	-	3,087	-	3,087
Fundraising	-	-	28,995	28,995
Bank charges	-	3,484	-	3,484
Memberships and dues and subscriptions	-	399	-	399
Miscellaneous	-	-	-	-
Total expenses	\$ <u>3,527,415</u>	\$ <u>474,883</u>	\$ <u>185,854</u>	\$ <u>4,188,152</u>

The accompanying notes are an integral part of these financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024

	Program Services	Management & General	Fundraising	Total Expenses
Salaries and wages	\$ 1,907,484	\$ 116,261	\$ 4,943	\$ 2,028,688
Payroll taxes	161,016	9,976	4,025	175,017
Payroll advance	460	29	11	500
Employee benefits	150,480	9,323	3,762	163,565
Direct assistance	41,931	-	-	41,931
Insurance	51,758	1,406	3,095	56,259
Computer/IT	-	-	-	-
Hardware	-	-	-	-
Program expenses	7,596	-	-	7,596
Vehicles	3,826	-	-	3,826
Staff development	6,676	186	394	7,256
Professional services	80,810	2,196	4,831	87,837
Website and social media	-	-	-	-
Strategic development	-	-	-	-
Utilities	151,872	4,127	9,079	165,078
Program supplies	172,615	-	-	172,615
Office supplies	16,490	448	986	17,924
Storage rental	-	-	-	-
Repairs and maintenance	93,014	2,528	5,560	101,102
Depreciation	160,859	4,371	9,617	174,847
Interest expense	6,539	178	391	7,108
Fundraising	-	-	7,013	7,013
Bank charges	-	-	628	628
Memberships and dues and subscriptions	-	-	-	-
Miscellaneous	822	22	49	893
Total expenses	\$ <u>3,014,248</u>	\$ <u>151,051</u>	\$ <u>54,384</u>	\$ <u>3,219,683</u>

The accompanying notes are an integral part of these financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 125,780	\$ 1,012,887
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities		
Depreciation	204,312	174,847
Increase (decrease) in:		
Accounts payable	(81,515)	132,546
Accounts receivable	(33,671)	(11,173)
Grants receivable	119,109	(102,879)
Prepaid expense	(10,972)	-
Other assets	830	(1,718)
Accrued payroll	6,352	35,673
Accrued payroll taxes	(1,579)	7,695
Other liabilities	(124)	(3,798)
Net cash provided from operating activities	<u>328,522</u>	<u>1,244,080</u>
Cash flows from investing activities		
Purchase of fixed assets	(638,920)	(167,692)
Construction in progress	-	(119,320)
Net cash used in investing activities	<u>(638,920)</u>	<u>(287,012)</u>
Cash flows from financing activities		
Principal payments on notes payable	(19,090)	(26,156)
Net cash used in financing activities	<u>(19,090)</u>	<u>(26,156)</u>
Net increase (decrease) in cash and cash equivalents	<u>(329,488)</u>	<u>930,912</u>
Cash and cash equivalents at beginning of year	<u>961,183</u>	<u>30,271</u>
Cash and cash equivalents at end of year	\$ <u>631,695</u>	\$ <u>961,183</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ <u>3,087</u>	\$ <u>7,108</u>

The accompanying notes are an integral part of these financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

Organization

Lawrence Community Shelter, Inc. (the Organization), is a 501(c)(3) nonprofit organization which was incorporated under the laws of the State of Kansas. The Organization provides safe shelter and comprehensive support services and programs that provide a path to a positive future for people experiencing homelessness and people who are at risk of homelessness.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenue is recorded when earned and expenses are recorded when incurred.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2025, and 2024.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

1. Organization and Significant Accounting Policies (continued)

Revenue Recognition

The Organization receives funding from local, county and federal agents and contracts. Grants received represent both exchange transactions and contributions. Certain grants received by the Organization include grantor imposed restrictions. Certain grants are also subject to grantor-imposed conditions, including requirements to incur qualifying expenditures prior to draw-down. Conditional contributions are recognized as revenue as the conditions are substantially met; amounts received or receivable prior to meeting such conditions are recorded as refundable advances.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions with donor imposed restrictions that are met in the current reporting period are reported as net assets without donor restrictions.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings	40 years
Furniture and office equipment	7-15 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the Statements of Activities. Certain costs have been allocated among the programs and supporting services as depicted in the Statements of Functional Expenses. Expenses that can be identified with specific program and support are allocated directly according to their natural expenditure classification.

Other expenses that are common to several functions are allocated based on management's estimate of resources devoted to the programs or support services. Direct benefits to donor costs have been included in fundraising costs on the Statements of Functional Expenses as the associated costs are not material in relation to the financial statements taken as a whole.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

1. Organization and Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the provisions of FASB ASC 740-10, *Accounting for Income Taxes*. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization's income tax returns are subject to review and examination by U.S. federal jurisdiction and the State of Kansas. The Organization is not aware of any activities that would jeopardize its tax-exempt status nor is it aware of any activities that are subject to unrelated business tax income or excise tax or other taxes.

Concentration of Credit Risk

The Organization maintains cash and investments in bank accounts which at times may exceed their federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation (FDIC). The accounts are held by banks that are well established and highly regarded. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on these balances. As of December 31, 2024, the Organization had balances in excess of federally insured limits. On April 25, 2025 the Organization opened an Insured Cash Sweep program to fully insure the funds. As of December 31, 2025, all funds held were fully insured.

2. Property and Equipment, net

Property and equipment include the following as of December 31:

	<u>2025</u>	<u>2024</u>
Buildings and improvements	\$ 4,689,227	\$ 3,984,022
Furniture and office equipment	638,211	600,426
Construction in progress	15,250	119,320
Total fixed assets	5,342,688	4,703,768
Less accumulated depreciation	1,712,914	1,508,602
Property and equipment, net	\$ <u>3,629,774</u>	\$ <u>3,195,166</u>

Depreciation expense for the years ended December 31, 2025 and 2024 is \$204,312 and \$174,847.

In 2025, Lawrence Community Shelter received Pallet Shelter cabins from the City of Lawrence. The City of Lawrence had purchased those cabins at the time they built The Village in late 2023, early 2024. While the City of Lawrence owns and maintains The Village Pallet Shelter cabins, the Pallet Shelter cabins installed at Lawrence Community Shelter have not been transferred from the City of Lawrence's property books to Lawrence Community Shelter.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

3. Liquidity and Funds Available

The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general expenditure within one year.

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 631,695	\$ 961,183
Financial assets, at year-end	<u>631,695</u>	<u>961,183</u>
Less those unavailable for general expenditure within one year, due to:		
Purpose restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>631,695</u>	\$ <u>961,183</u>

4. Notes Payable

During 2013, the Organization entered into an agreement with the City of Lawrence (the City) for a long-term loan of \$500,000. The loan matures on December 31, 2028 and has a fixed interest rate of 2%. The proceeds of the loan were used for the completion of the building. The loan is collateralized by the building. Payments are made monthly to the City in the amount of \$1,848. The outstanding balance of the loan at December 31, 2025 and 2024 was \$320,088 and \$339,178.

Future principal maturities are summarized as follows:

2026	15,848
2027	16,168
2028	288,072
2029	-
2030	-
Thereafter	-
	\$ <u>320,088</u>

5. Net Assets

As of December 31, net assets consist of:

	<u>2025</u>	<u>2024</u>
Net assets without donor restrictions:		
Un-designated	\$ 264,053	\$ 572,881
Net investment in property and equipment	<u>3,629,774</u>	<u>3,195,166</u>
Total net assets without donor restrictions	<u>3,893,827</u>	<u>3,768,047</u>
Total net assets	\$ <u>3,893,827</u>	\$ <u>3,768,047</u>

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

6. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the Organization purchases commercial insurance. The amount of settlements did not exceed insurance coverage for the years ended December 31, 2025 and 2024.

7. Related Party Transactions

Revenues from the City of Lawrence as an affiliate, were \$3,684,896 and \$3,622,836 for the years ended December 31, 2025 and 2024, respectively. Related receivables outstanding due to Organization from the affiliate were \$33,103 and \$114,764 for the years ended December 31, 2025 and 2024, respectively.

For the years ended December 31, 2025 and 2024, total expenses of \$60,179 and \$51,763 were paid to the affiliate from the Organization. Amounts due to the affiliate were \$4,633 for the year ended December 31, 2025. There were no amounts due to the affiliate for the year ended December 31, 2024.

8. Subsequent Event

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued. No events were found requiring disclosure in these financial statements.