

**SHORE COMMUNITY SERVICES, INC.**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2022 AND 2021**

**TOGETHER WITH AUDITOR'S REPORT**



Certified Public Accountants  
4320 WINFIELD ROAD, SUITE 450  
WARRENVILLE, IL 60555  
630 665 4440  
[duganlopatka.com](http://duganlopatka.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Shore Community Services, Inc.

We have audited the accompanying financial statements of Shore Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 Shore Community Services, Inc., as of June 30, 2022 and 2021, 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 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 Shore Community Services, 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 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 Shore Community Services, 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 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, 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 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 Shore Community Services, Inc'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 Shore Community Services Inc'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.

Independent Auditor's Report  
To the Board of Directors of  
Shore Community Services, Inc.  
Page three

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2022, on our consideration of Shore Community Services, Inc.'s internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Shore Community Services, Inc.'s internal control over financial reporting and compliance.

  
DUGAN & LOPATKA

Warrenville, Illinois  
October 20, 2022

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*

To the Board of Directors of  
Shore Community Services, Inc.:

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 Shore Community Services, Inc. which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 20, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Shore Community Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing the 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 Shore Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Shore Community Services, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

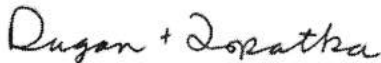
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
Page two

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Shore Community Services, Inc.'s financial statements are free of 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Shore Community Services, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shore Community Services, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
DUGAN & LOPATKA

Warrenville, Illinois  
October 20, 2022

SHORE COMMUNITY SERVICES, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents - Unrestricted	\$ 407,976	\$ 855,026
- Restricted for HUD-related deposits	588,031	523,931
- Restricted	-	13,583
Total	996,007	1,392,540
Investments	2,103,412	2,280,865
Receivables -		
Program fees/grant receivable	798,173	322,666
Pledge receivable	45,342	180,202
Prepaid expenses	12,183	65,471
Total current assets	3,955,117	4,241,744
<b>PROPERTY AND EQUIPMENT:</b>		
Land	1,321,361	1,521,361
Buildings and improvements	8,552,003	8,869,640
Furniture and equipment	1,272,701	1,254,464
Vehicles	956,925	956,925
Less - Accumulated depreciation	(5,914,961)	(5,780,735)
Net property and equipment	6,188,029	6,821,655
Total assets	\$ 10,143,146	\$ 11,063,399

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES:		
Notes payable, current maturities	\$ 223,809	\$ 1,097,892
Line of credit	1,280,000	1,290,000
Accounts payable	118,282	131,818
Accrued expenses	322,343	497,402
HUD grant advance	21,804	21,804
Refundable advance	-	282,488
Tenant security deposits	1,775	1,825
	<u>1,968,013</u>	<u>3,323,229</u>
LONG-TERM LIABILITIES:		
Notes payable, net of current maturities	<u>1,911,393</u>	<u>1,285,120</u>
	<u>3,879,406</u>	<u>4,608,349</u>
NET ASSETS:		
Without donor restrictions	4,160,328	4,147,957
With donor restrictions	<u>2,103,412</u>	<u>2,307,093</u>
	<u>6,263,740</u>	<u>6,455,050</u>
	<u>\$ 10,143,146</u>	<u>\$ 11,063,399</u>



SHORE COMMUNITY SERVICES, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>SUPPORT, FEES AND OTHER REVENUE:</b>				
Public Support -				
Contributions	\$ 478,744	\$ 15,000	\$ 615,182	\$ 40,000
Bequests	-	-	10,000	-
Evanston Mental Health Board	-	-	19,117	-
U.S. Department of Housing and Urban Development	276,893	-	275,658	-
Payroll Protection Program Grants	266,834	-	1,097,340	-
In-kind revenue	15,869	-	22,992	-
Fundraising events, net of direct expenses of \$93,619 and \$22,553 in 2022 and 2021, respectively	114,047	-	9,565	-
<b>Total support</b>	<b>1,152,387</b>	<b>15,000</b>	<b>2,049,854</b>	<b>40,000</b>
Program Fees -				
Illinois Department of Human Services	3,372,195	-	2,977,988	-
Illinois Department of Public Aid	436,841	-	405,600	-
Department of Rehab Services	13,700	-	31,100	-
Work contracts	179,761	-	168,811	-
Sheltered Workshop	199,935	-	170,899	-
Client rental income	613,005	-	533,876	-
<b>Total fees</b>	<b>4,815,437</b>	<b>-</b>	<b>4,288,274</b>	<b>-</b>
Other Revenue -				
Employee Retention Credit	324,145	-	-	-
Interest and dividend income	4,964	62,088	215	45,304
Unrealized gain (loss) on investments	-	(229,514)	-	318,279
Realized gain on investments	-	7,934	-	58,100
(Loss) on sale of fixed assets	(152,938)	-	-	-
Miscellaneous	22,920	-	18,075	-
Release of restrictions	59,189	(59,189)	40,562	(40,562)
<b>Total other revenue</b>	<b>258,280</b>	<b>(218,681)</b>	<b>58,852</b>	<b>381,121</b>
<b>Total support, fees and revenue</b>	<b>6,226,104</b>	<b>(203,681)</b>	<b>6,396,980</b>	<b>421,121</b>
				<b>6,818,101</b>

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
FUNCTIONAL EXPENSES:						
Program services	\$ 5,071,696	\$ -	\$ 5,071,696	\$ 5,112,125	\$ -	\$ 5,112,125
Administrative	954,595	-	954,595	916,440	-	916,440
Fundraising	187,442	-	187,442	178,424	-	178,424
Total functional expenses:	6,213,733	-	6,213,733	6,206,989	-	6,206,989
CHANGE IN NET ASSETS	12,371	(203,681)	(191,310)	189,991	421,121	611,112
NET ASSETS, Beginning of year	4,147,957	2,307,093	6,455,050	3,957,966	1,885,972	5,843,938
NET ASSETS, End of year	\$ 4,160,328	\$ 2,103,412	\$ 6,263,740	\$ 4,147,957	\$ 2,307,093	\$ 6,455,050

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (191,310)	\$ 611,112
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities -		
Depreciation expense	322,494	315,109
Unrealized (gain) loss on investments	229,514	(318,279)
Realized (gain) on investments	(7,934)	(58,100)
Loss on sale of fixed assets	152,938	-
Changes in assets and liabilities -		
(Increase) in receivables	(340,647)	(119,489)
Decrease (increase) in prepaid expenses	53,288	(65,052)
(Decrease) in accounts payable	(13,536)	(843)
(Decrease) increase in accrued expenses	(175,059)	86,290
(Decrease) in refundable advance	(282,488)	(239,040)
(Decrease) increase in tenant security deposits	(50)	260
	<u>(252,790)</u>	<u>211,968</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(161,690)	(110,190)
Proceeds from sale of fixed assets	319,884	-
Purchases of investments	(278,239)	(414,350)
Proceeds from sales of investments	234,112	382,253
	<u>114,067</u>	<u>(142,287)</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(247,810)	(205,979)
Net proceeds (payments) from line of credit	(10,000)	(30,000)
	<u>(257,810)</u>	<u>(235,979)</u>
Net cash (used in) financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(396,533)	(166,298)
CASH AND CASH EQUIVALENTS, Beginning of year	1,392,540	1,558,838
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 996,007</u>	<u>\$ 1,392,540</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 156,783</u>	<u>\$ 176,591</u>

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services										Total Program Services	Fundraising	Administrative	Total Expenses		
	Home Based Services	Lois Lloyd Center	Shore Training Center	Supported Living Arrangement	Shore Homes	CILA	DHS Training	Second Time Around	Early Intervention	Therapy Services						
<b>FUNCTIONAL EXPENSES:</b>																
Salaries and benefits	\$ 49,624	\$ 427,171	\$ 969,940	\$ 81,709	\$ 892,165	\$ 1,199,935	\$ 7,127	\$ -	\$ 4,605	\$ (36)	\$ 3,632,240	\$ 556,922	\$ 133,503	\$ 4,322,665		
Professional fees	3,734	5,090	99,789	874	15,247	17,722	-	-	-	160,236	302,692	58,721	38,907	400,320		
Occupancy	67	82,377	129,377	23,169	110,499	36,059	-	892	-	-	382,440	67,460	763	450,663		
Meetings	-	538	281	233	520	-	-	-	-	-	1,572	4,856	473	6,901		
Repairs and maintenance	-	1,978	3,895	-	113	-	-	-	-	-	5,986	12,318	500	18,804		
Transportation	-	29,244	17,598	2,059	57,884	15,520	-	-	-	-	122,305	3,024	467	125,796		
Telephone	-	10,183	11,449	2,475	10,874	11,667	-	-	-	-	46,648	12,814	370	59,832		
Supplies	232	11,028	101,943	1,027	25,243	18,383	-	-	-	-	157,856	4,820	61	162,737		
Printing and copying	165	175	2,374	-	697	30	-	-	-	-	3,441	746	3,469	7,656		
Dues and fees	206	3,724	5,197	1,423	6,654	5,863	36	-	10	-	23,113	3,893	307	27,313		
Interest	-	254	22,879	-	442	723	-	-	-	-	24,298	132,485	-	156,783		
Special events	-	-	-	-	-	-	-	-	-	-	-	316	93,303	93,619		
Contingency	-	326	2,066	239	23	6,314	-	-	-	-	8,968	2,010	66	11,044		
Depreciation	-	100,876	54,157	1,920	74,454	39,884	100	-	-	-	271,391	51,103	-	322,494		
Other expenses	60	41,677	767	799	35,495	9,900	48	-	-	-	88,746	43,423	8,556	140,725		
<b>Total functional expenses</b>	<b>54,088</b>	<b>714,641</b>	<b>1,421,712</b>	<b>115,927</b>	<b>1,230,310</b>	<b>1,362,000</b>	<b>7,311</b>	<b>892</b>	<b>4,615</b>	<b>160,200</b>	<b>5,071,696</b>	<b>954,911</b>	<b>280,745</b>	<b>6,307,352</b>		
Less expenses included with revenues on statement of activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Special events	-	-	-	-	-	-	-	-	-	-	-	(316)	(93,303)	(93,619)		
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 54,088</b>	<b>\$ 714,641</b>	<b>\$ 1,421,712</b>	<b>\$ 115,927</b>	<b>\$ 1,230,310</b>	<b>\$ 1,362,000</b>	<b>\$ 7,311</b>	<b>\$ 892</b>	<b>\$ 4,615</b>	<b>\$ 160,200</b>	<b>\$ 5,071,696</b>	<b>\$ 954,595</b>	<b>\$ 187,442</b>	<b>\$ 6,213,733</b>		

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services											Total Program Services	Fundraising	Total Expenses			
	Home Based Services	Lois Lloyd Center	Shore Training Center	Shore Arrangement Living	Shore Homes	CILA	DHS Training	Second Time Around	Early Intervention	Therapy Services	Administrative						
<b>FUNCTIONAL EXPENSES:</b>																	
Salaries and benefits	\$ 57,072	\$ 466,417	\$ 882,824	\$ 92,451	\$ 967,846	\$ 1,174,856	\$ 8,837	\$ 662	\$ 3,232	\$ 3,803	\$ 525,932	\$ 163,991	\$ 4,347,923				
Professional fees	-	1,286	78,354	1,071	68,559	40,145	-	-	-	160,244	57,421	-	407,080				
Occupancy	162	80,174	94,410	24,772	130,474	36,775	-	989	-	-	77,652	718	446,126				
Meetings	90	502	738	-	100	430	50	-	-	-	1,918	90	3,918				
Repairs and maintenance	-	3,912	6,502	-	(109)	6,299	-	-	-	-	241	4,750	21,595				
Transportation	-	15,946	35,465	1,874	10,700	14,684	-	-	-	-	1,373	204	80,246				
Telephone	483	9,382	14,594	2,187	7,538	8,155	56	-	-	-	14,401	-	56,996				
Supplies	43	7,073	48,023	1,365	96,128	26,388	-	-	-	-	4,926	-	183,946				
Printing and copying	30	626	488	-	2,778	540	-	-	-	-	2,272	4,649	11,383				
Dues and fees	200	7,053	12,396	1,679	39,893	12,476	-	-	250	-	19,973	2,604	96,524				
Interest	-	532	696	5	31,381	1,306	-	-	-	-	142,671	-	176,591				
Special events	-	-	-	-	-	-	-	-	-	-	-	22,553	22,553				
Contingency	-	-	(100)	-	557	13,173	-	-	-	-	535	-	14,165				
Depreciation	-	93,310	81,586	1,232	53,874	39,031	-	-	-	-	46,076	-	315,109				
Other expenses	120	436	9,073	1,015	4,060	8,216	-	-	-	-	21,049	1,418	45,387				
<b>Total functional expenses</b>	<b>58,200</b>	<b>686,849</b>	<b>1,265,049</b>	<b>127,651</b>	<b>1,413,779</b>	<b>1,382,474</b>	<b>8,943</b>	<b>1,651</b>	<b>3,482</b>	<b>164,047</b>	<b>916,440</b>	<b>200,977</b>	<b>6,229,542</b>				
Less expenses included with revenues on statement of activities	-	-	-	-	-	-	-	-	-	-	-	(22,553)	(22,553)				
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-				
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 58,200</b>	<b>\$ 686,849</b>	<b>\$ 1,265,049</b>	<b>\$ 127,651</b>	<b>\$ 1,413,779</b>	<b>\$ 1,382,474</b>	<b>\$ 8,943</b>	<b>\$ 1,651</b>	<b>\$ 3,482</b>	<b>\$ 164,047</b>	<b>\$ 916,440</b>	<b>\$ 178,424</b>	<b>\$ 6,206,989</b>				

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization -

Shore Community Services, Inc. (Shore) was organized in 1949, and incorporated in 1951, to develop day services for persons with developmental disabilities. Vocational and workshop programs were expanded to provide adult training centers and adult residential services to help improve the quality of life for persons with developmental disabilities through community-based services.

The financial statements were available to be issued on October 20, 2022 with subsequent events being evaluated through this date.

Basis of Accounting -

The financial statements are maintained on the accrual basis of accounting which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, Shore is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

*With donor restrictions* – Net assets subjects to donor-imposed stipulations that will be met either by actions of Shore and/or passage of time. As of June 30, 2022, and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Regenstein Fund	\$ 2,103,412	\$ 2,280,865
Lang Fund	-	13,583
Home Based Services	-	<u>12,639</u>
	<u>\$ 2,103,412</u>	<u>\$ 2,307,093</u>

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 reported amounts and disclosures. Actual results could differ from those estimates.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents -

For purposes of the statement of cash flows, Shore considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk -

Financial instruments which potentially subject Shore to concentrations of credit risk consist principally of cash. Shore places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits in various banks from time to time. Shore has not experienced any losses in such accounts.

Receivables -

Receivables consist primarily of service fees due from governmental agencies and other non-for-profit organizations. These receivables were reviewed at year end and amounts deemed uncollectible were written off.

Investments -

Shore has investments that are comprised of mutual funds, common stock, corporate bonds, certificates of deposit, and money markets that are carried at fair market value.

Property and Equipment -

Property and equipment are stated at cost. Shore capitalizes fixed asset additions over \$500. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Below are the estimated useful lives of the assets:

Furniture and office equipment	3 - 7 years
Buildings	40 years
Leasehold improvements	40 years

Depreciation expense for the year ended June 30, 2022 and 2021, was \$322,494 and \$315,109, respectively.

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in the statement of activities and changes in net assets.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition for Contributions -

Shore recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions resulting from split-interest agreements, measured at the time into which the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract. Shore reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized 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 advances in the statement of financial position. Restricted revenue from cost reimbursable grants that are received and released in the same year are shown as without donor restrictions on the statement of activities.

Revenue Recognition for Program Fees -

Shore receives program fees from the Illinois Department of Human Services (DHS), Illinois Department of Public Aid (Public Aid) and Illinois Department of Rehabilitation Services (DRS) through fee for service arrangements. Shore bills for various services provided to DHS, Public Aid and DRS based on preapproved rates for each service provided. These services are considered a single performance obligation which is satisfied at a point in time. The performance obligation is met, and revenue recognized, when the services are provided.

Shore receives program fee revenue for its Sheltered Workshop. Shore bills for its sheltered workshop using preapproved rates based on the clients being served by the workshop. These services are considered a single performance obligation which is satisfied at a point in time. The performance obligation is met, and revenue recognized, when the services are provided to a client.

Shore receives program fee revenue for its Work Contracts. Shore bills for its work contracts using preapproved rates based on the production of products for the business. These services are considered a single performance obligation which is satisfied at a point in time. The performance obligation is met, and revenue recognized, when the services are provided to a client.



(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition for Program Fees - (Continued)

Shore receives rental income from clients who reside in certain residential programs. Rental income is considered a single performance obligation that is recognized over time. Rental income is charged each month, and the monthly fees are recognized ratably over the life of the lease.

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, professional fees, occupancy, transportation, supplies, and other expenses which are allocated on the basis of estimated of time and effort.

Income Taxes -

Shore has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

Shore files informational returns in the U.S. federal jurisdiction and Illinois. With few exceptions, Shore is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2019. Shore does not expect a material net change in unrecognized tax benefits in the next twelve months.

(2) FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

(2) FAIR VALUE MEASUREMENTS: (Continued)

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used on June 30, 2022 and 2021.

Money Market: Valued at cost as of the year end, which approximates market.

Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of Deposit: Valued at amortized cost, which approximates fair value.

Common Stock, Corporate Bonds: Valued at the closing price reported in active markets in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Shore believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(2) FAIR VALUE MEASUREMENTS: (Continued)

The following table sets forth by level, within the fair value hierarchy, Shore's assets at fair value as of June 30, 2022 and 2021:

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 561,249	\$ -	\$ -	\$ 561,249
Common stock	1,145,836	-	-	1,145,836
Corporate bonds	144,355	-	-	144,355
Certificates of deposit	-	148,052	-	148,052
Total assets at fair value	<u>\$ 1,851,440</u>	<u>\$ 148,052</u>	<u>\$ -</u>	\$ 1,999,492
Money market funds				<u>103,921</u>
Total investments				<u>\$ 2,103,412</u>

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 591,468	\$ -	\$ -	\$ 591,468
Common stock	1,195,327	-	-	1,195,327
Corporate bonds	104,491	-	-	104,491
Certificates of deposit	-	259,249	-	259,249
Total assets at fair value	<u>\$ 1,891,286</u>	<u>\$ 259,249</u>	<u>\$ -</u>	\$ 2,150,535
Money market funds				<u>130,330</u>
Total investments				<u>\$ 2,280,865</u>

(3) RESTRICTIONS FOR HUD-RELATED DEPOSITS:

The following HUD-restricted deposits are held in separate interest-bearing FDIC insured accounts and are not generally available for operations purposes:

	2022	2021
Replacement reserve deposit	\$ 416,984	\$ 389,358
Insurance deposit	116,809	104,811
Residual receipts deposit	52,370	27,808
Tenant security deposits	<u>1,868</u>	<u>1,954</u>
	<u>\$ 588,031</u>	<u>\$ 523,931</u>

(4) COMMITMENTS:

Shore has several operating leases for vehicles and a copier that expire at various dates through October 2022. Lease expense for the years ended June 30, 2022 and 2021 was \$25,505 and \$26,444 respectively. The lease period has ended for the vehicles, but Shore maintains an open-end agreement and are now on a month-to-month basis.

Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2023	\$ 6,700

(5) LINE OF CREDIT:

Shore has a line of credit from a bank with a limit of the lesser of \$1,500,000 or 80% of the aggregate amount of the Regenstein Fund. The line bears interest at prime minus .50%, (4.25% on June 30, 2022). The line is secured by the Regenstein Fund and a blanket lien on all business assets and is due in February, 2023. On June 30, 2022 and 2021, the outstanding balance of the line of credit was \$1,280,000 and \$1,290,000, respectively. Shore must maintain a debt service coverage ratio of at least 1:00 to 1:00 which begins in fiscal year 2023.

(6) NOTES PAYABLE:

	<u>2022</u>	<u>2021</u>
Payable to HUD in monthly installments of \$9,110 principal and interest, bearing interest of 9.25%, due in May 2024 and secured by a building.	\$ 191,338	\$ 278,529
Payable to a bank in monthly installments of \$9,221 principal and interest, bearing interest of 4.25%, a balloon payment due in November 2025 and secured by a building.	1,067,752	1,130,907
Payable to a bank, in monthly installments of \$6,672 principal and interest, bearing interest of 4.15%, a balloon payment due in December 2026 and secured by a building. Shore must maintain debt service coverage ratio of at least 1:00 to 1:00, which begins in fiscal year 2023.	867,756	909,341

(6) NOTES PAYABLE: (Continued)

	<u>2022</u>	<u>2021</u>
Payable to HUD in monthly installments of \$451, noninterest bearing, due in January 2024 and unsecured.	\$ 8,356	\$ 13,317
Vehicle loan payable in monthly installments of \$288, principal and interest, bearing interest of 6.03%. The loan was paid in full during 2022.	-	7,237
Vehicle loan payable for three vehicles in monthly installments of \$1,102, principal and interest, bearing interest of 5.75% and secured by the vehicles. The loan was paid in full during 2022	-	29,743
Vehicle loan payable in monthly installments of \$516, principal and interest, bearing interest of 8.04% and secured by the vehicle. The loan was paid in full during 2022.	<u>-</u>	<u>13,938</u>
	2,135,202	2,383,012
Less - Current maturities	<u>223,809</u>	<u>1,097,892</u>
Long-term maturities	<u>\$ 1,911,393</u>	<u>\$ 1,285,120</u>

Future maturities are summarized as follows:

<u>Year ending June 30,</u>	
2023	\$ 223,809
2024	227,602
2025	133,995
2026	873,385
2027	<u>676,411</u>
	<u>\$ 2,135,202</u>

(7) PENSION AND PROFIT SHARING PLAN:

Shore has adopted a defined contribution, noncontributory profit sharing plan covering substantially all employees. Shore funds all costs accrued. Shore did not make any retirement contributions for the years ended June 30, 2022 and 2021.

(8) CONCENTRATIONS:

Shore has received significant program fees from the Illinois Department of Human Services in the years ended June 30, 2022 and 2021. In the years ended June 30, 2022 and 2021, the Illinois Department of Human Services provided 57% and 44% of Shore's total support, fees, and revenue, respectively.

(9) FEDERAL AND STATE GRANTS:

Shore receives a significant amount of its support from federal, state, and local governments. A substantial reduction in the level of this support, if it were to occur, could have a significant effect on Shore's programs and activities. Additionally, the disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audits by grantor agencies. Any disallowed claims resulting from such audits could become a liability.

(10) CONDITIONAL GRANT:

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, in April, 2020, the Organization obtained a Payroll Protection Program (PPP) loan in the amount of \$858,300. The interest rate on this loan is 1% with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount or 10 months after the end of the forgivable covered period, with the final payment due in April, 2022. As part of the PPP loan agreement, a portion of the loan can be forgiven. In April 2021, the Organization was notified by the SBA that the loan was forgiven in full.

As part of the Economic Aid Act, in March, 2021, the Organization obtained a second Payroll Protection Program (PPP) loan in the amount of \$858,300. The interest rate on this loan is 1% with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount or 10 months after the end of the forgivable period, with the final payment due March 2026. As part of the PPP loan agreement, a portion of the loan can be forgiven. In March 2022, the Organization was notified by the SBA that the loan was forgiven in full.

The Organization has determined that the loan represents, in substance, a conditional grant as allowed under ASC 958-605 which recognizes revenue on nonexchange transactions when the barriers to the grants have been met. Per stipulations outlined in the CARES Act and Economic Aid Act, the Organization is using the monies from the PPP loans to fund payroll and other costs. Accordingly, the Organization recognizes a portion of the loan as contribution at the end of each payroll period that is funded by the PPP monies.

(10) CONDITIONAL GRANT: (Continued)

Refundable advance as of June 30, 2020	\$ 282,488
Funds received under PPP conditional grant	858,300
Payroll expenses funded by PPP conditional grant	<u>(1,097,340)</u>
Refundable advance as of June 30, 2022	\$ 282,488
Payroll expenses funded by PPP conditional grant	(266,834)
PPP money returned	<u>(15,654)</u>
Refundable advance as of June 30, 2022	<u>\$ -</u>

(11) LIQUIDITY AND AVAILABILITY:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 996,007	\$ 1,392,540
Investments	2,103,412	2,280,865
Program fees/grants receivable	798,173	322,666
Pledges receivable	<u>45,342</u>	<u>180,202</u>
Total financial assets	<u>3,942,934</u>	<u>4,176,273</u>
Less:		
Restricted for HUD-related deposits	588,031	523,931
Donor imposed restrictions	<u>2,103,412</u>	<u>2,307,093</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 1,251,491</u>	<u>\$ 1,345,249</u>

Shore manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability.
- incurring unbudgeted costs only when such costs are funded.
- maintaining adequate liquid assets to fund near-term operating needs.

Shore has received their fiscal year 2023 grant from Illinois Department of Human Services. Historically, Illinois Department of Human Services has paid for the services provided within 90 days, assuming there is no dispute with the services. Shore also continues to focus on generating more contribution which tends to come in the second quarter of their fiscal year.