

SHORE COMMUNITY SERVICES, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2023, AND 2022**

TOGETHER WITH AUDITOR'S REPORT

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, 2023, and 2022, 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, 2023, and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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, which 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:

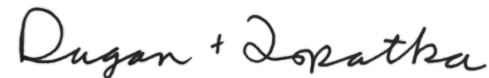
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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, which 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.
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2023, 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
November 3, 2023

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, 2023, 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 November 3, 2023.

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.

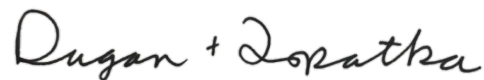
Independent Auditor's Report on
Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements
Performed in Accordance with
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Compliance and Other Matters

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
November 3, 2023

SHORE COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

A S S E T S

	2023	2022
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	\$ 332,967	\$ 407,976
Cash and cash equivalents - Restricted for HUD-related deposits	541,916	588,031
Total	874,883	996,007
Investments	2,163,577	2,103,412
Receivables -		
Program fees/grant receivable	427,781	798,173
Pledge receivable, current portion	161,250	45,342
Prepaid expenses	799	12,183
Total current assets	3,628,290	3,955,117
PROPERTY AND EQUIPMENT:		
Land	881,361	1,321,361
Buildings and improvements	6,585,650	8,552,003
Furniture and equipment	1,288,466	1,272,701
Vehicles	956,925	956,925
Less - Accumulated depreciation	(4,884,672)	(5,914,961)
Net property and equipment	4,827,730	6,188,029
OTHER ASSETS:		
Deposit	30,000	-
Pledge receivables, net of current portion	425,000	-
Operating lease right of use asset	617,112	-
Total other assets	1,072,112	-
Total assets	\$ 9,528,132	\$ 10,143,146

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES:		
Notes payable, current maturities	\$ 179,811	\$ 223,809
Operating lease liability, current portion	22,633	-
Line of credit	530,000	1,280,000
Accounts payable	54,812	118,282
Accrued expenses	301,771	322,343
HUD grant advance	-	21,804
Tenant security deposits	1,158	1,775
	<u>1,090,185</u>	<u>1,968,013</u>
LONG-TERM LIABILITIES:		
Notes payable, net of current maturities	920,685	1,911,393
Operating lease liability, net of current portion	610,133	-
	<u>1,530,818</u>	<u>1,911,393</u>
Total liabilities	<u>2,621,003</u>	<u>3,879,406</u>
NET ASSETS:		
Without donor restrictions	4,193,552	4,160,328
With donor restrictions	2,713,577	2,103,412
	<u>6,907,129</u>	<u>6,263,740</u>
Total liabilities and net assets	<u>\$ 9,528,132</u>	<u>\$ 10,143,146</u>

SHORE COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, FEES AND OTHER REVENUE:						
Public Support -						
Contributions	\$ 661,310	\$ 640,000	\$ 1,301,310	\$ 478,744	\$ 15,000	\$ 493,744
Bequests	86,663	-	86,663	-	-	-
U.S. Department of Housing and Urban Development	251,652	-	251,652	276,893	-	276,893
Payroll Protection Program Grants	-	-	-	266,834	-	266,834
In-kind revenue	3,219	-	3,219	15,869	-	15,869
Fundraising events, net of direct expenses of \$45,000 and \$93,619 in 2023 and 2022, respectively	180,446	-	180,446	114,047	-	114,047
Total support	1,183,290	640,000	1,823,290	1,152,387	15,000	1,167,387
Program Fees -						
Illinois Department of Human Services	3,473,849	-	3,473,849	3,372,195	-	3,372,195
Illinois Department of Public Aid	338,792	-	338,792	436,841	-	436,841
Department of Rehab Services	17,650	-	17,650	13,700	-	13,700
Work contracts	6,162	-	6,162	179,761	-	179,761
Sheltered Workshop	205,006	-	205,006	199,935	-	199,935
Client rental income	574,186	-	574,186	613,005	-	613,005
Total fees	4,615,645	-	4,615,645	4,815,437	-	4,815,437
Other Revenue -						
Employee Retention Credit	-	-	-	324,145	-	324,145
Interest and dividend income	-	57,762	57,762	4,964	62,088	67,052
Unrealized (loss) on investments	-	(21,480)	(21,480)	-	(229,514)	(229,514)
Realized gain on investments	-	38,592	38,592	-	7,934	7,934
Gain (loss) on sale of fixed assets	651,877	-	651,877	(152,938)	-	(152,938)
Miscellaneous	15,525	-	15,525	22,920	-	22,920
Release of restrictions	104,709	(104,709)	-	59,189	(59,189)	-
Total other revenue	772,111	(29,835)	742,276	258,280	(218,681)	39,599
Total support, fees and revenue	6,571,046	610,165	7,181,211	6,226,104	(203,681)	6,022,423

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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
FUNCTIONAL EXPENSES:						
Program services	\$ 5,151,777	\$ -	\$ 5,151,777	\$ 5,071,696	\$ -	\$ 5,071,696
Administrative	1,110,973	-	1,110,973	954,595	-	954,595
Fundraising	275,072	-	275,072	187,442	-	187,442
Total functional expenses:	6,537,822	-	6,537,822	6,213,733	-	6,213,733
CHANGE IN NET ASSETS	33,224	610,165	643,389	12,371	(203,681)	(191,310)
NET ASSETS, Beginning of year	4,160,328	2,103,412	6,263,740	4,147,957	2,307,093	6,455,050
NET ASSETS, End of year	\$ 4,193,552	\$ 2,713,577	\$ 6,907,129	\$ 4,160,328	\$ 2,103,412	\$ 6,263,740

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 643,389	\$ (191,310)
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities -		
Depreciation expense	338,847	322,494
Unrealized loss on investments	21,480	229,514
Realized (gain) on investments	(38,592)	(7,934)
(Gain) loss on sale of fixed assets	(651,877)	152,938
Non-cash portion of lease expense for operating leases	39,607	-
Repayments of operating lease liabilities	(23,953)	-
Changes in assets and liabilities -		
(Increase) in receivables	(170,516)	(340,647)
Decrease in prepaid expenses	11,384	53,288
(Increase) in deposit	(30,000)	-
(Decrease) in accounts payable	(63,470)	(13,536)
(Decrease) in accrued expenses	(20,572)	(175,059)
(Decrease) in HUD grant advance	(21,804)	-
(Decrease) in refundable advance	-	(282,488)
(Decrease) in tenant security deposits	(617)	(50)
	<u>33,306</u>	<u>(252,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(187,586)	(161,690)
Proceeds from sale of fixed assets	1,860,915	319,884
Purchases of investments	(675,345)	(278,239)
Proceeds from sales of investments	632,292	234,112
	<u>1,630,276</u>	<u>114,067</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(1,034,706)	(247,810)
Net proceeds (payments) from line of credit	(750,000)	(10,000)
	<u>(1,784,706)</u>	<u>(257,810)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(121,124)	(396,533)
CASH AND CASH EQUIVALENTS, Beginning of year	996,007	1,392,540
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 874,883</u>	<u>\$ 996,007</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 178,615</u>	<u>\$ 156,783</u>
Right of use assets acquired through lease liabilities:	<u>\$ 652,522</u>	<u>\$ -</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, 2023

	Program Services							Total Program Services	Administrative	Fundraising	Total Expenses	
	Home Based Services	Lois Lloyd Center	Shore Training Center	Supported Living Arrangement	Shore Homes	CILA	DHS Training					Therapy Services
FUNCTIONAL EXPENSES:												
Salaries and benefits	\$ 49,919	\$ 440,605	\$ 809,856	\$ 87,697	\$ 896,529	\$ 1,254,339	\$ 9,695	\$ -	\$ 3,548,640	\$ 667,171	\$ 196,870	\$ 4,412,681
Professional fees	-	14,261	39,901	-	170,514	74,955	203	138,450	438,284	76,631	42,220	557,135
Occupancy	67	92,024	113,977	23,497	147,280	35,999	-	-	412,844	65,548	911	479,303
Meetings	-	1,325	1,774	265	183	955	-	-	4,502	8,272	382	13,156
Repairs and maintenance	-	2,807	528	-	2,101	982	-	-	6,418	1,960	1,416	9,794
Transportation	-	42,143	49,979	1,944	20,432	18,873	-	-	133,371	3,154	771	137,296
Telephone	-	10,905	12,354	2,233	11,381	11,569	-	-	48,442	10,127	575	59,144
Supplies	85	11,196	15,103	2,608	101,892	21,572	-	-	152,456	6,595	294	159,345
Printing and copying	-	-	70	-	2,648	30	-	-	2,748	829	8,213	11,790
Dues and fees	1,391	6,811	8,674	544	5,364	5,513	66	-	28,363	5,058	335	33,756
Interest	-	-	1,349	10	13,719	-	-	-	15,078	167,085	-	182,163
Special events	-	-	-	-	-	-	-	-	-	-	45,000	45,000
Other expenses	255	4,546	23,191	936	53,897	10,451	-	-	93,276	27,051	23,085	143,412
Depreciation	-	99,852	63,541	3,418	62,295	38,149	100	-	267,355	71,492	-	338,847
Total functional expenses	51,717	726,475	1,140,297	123,152	1,488,235	1,473,387	10,064	138,450	5,151,777	1,110,973	320,072	6,582,822
Less expenses included with revenues on statement of activities												
Special events	-	-	-	-	-	-	-	-	-	-	(45,000)	(45,000)
Total expenses included in the expense section of the statement of activities	\$ 51,717	\$ 726,475	\$ 1,140,297	\$ 123,152	\$ 1,488,235	\$ 1,473,387	\$ 10,064	\$ 138,450	\$ 5,151,777	\$ 1,110,973	\$ 275,072	\$ 6,537,822

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	Administrative	Fundraising	Total Expenses	
	Home Based Services	Lois Lloyd Center	Shore Training Center	Support Living Arrangement	Shore Homes	CILA	DHS Training	Second Time Around	Early Intervention					Therapy Services
FUNCTIONAL EXPENSES:														
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
Total functional expenses	54,088	714,641	1,421,712	115,927	1,230,310	1,362,000	7,311	892	4,615	160,200	5,071,696	954,911	280,745	6,307,352
Less expenses included with revenues on statement of activities														
Special events	-	-	-	-	-	-	-	-	-	-	-	(316)	(93,303)	(93,619)
Total expenses included in the expense section of the statement of activities	\$ 54,088	\$ 714,641	\$ 1,421,712	\$ 115,927	\$ 1,230,310	\$ 1,362,000	\$ 7,311	\$ 892	\$ 4,615	\$ 160,200	\$ 5,071,696	\$ 954,595	\$ 187,442	\$ 6,213,733

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(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 November 3, 2023 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, 2023, and 2022, net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Regenstein Fund	\$ 2,163,577	\$ 2,103,412
Training Home Renovations	<u>550,000</u>	<u>-</u>
	<u>\$ 2,713,577</u>	<u>\$ 2,103,412</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, 2023, and 2022, was \$338,847 and \$322,494, 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.

Leases -

Shore determines if an arrangement is a lease or contains a lease at inception of the contract. Shore's operating leases are presented in operating lease right-of-use assets, current portion of operating lease liabilities, and long-term portion of operating lease liabilities in the accompanying statement of financial position as of June 30, 2023.

Operating lease right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease's commencement date. As most of Shore's leases do not specify their implicit rate, Shore has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by Shore, less any lease incentives Shore receives from the lessor. Shore has elected a practical expedient to account for lease and non-lease components together as a single lease component. The terms of Shore's leases generally contain lease payments and reimbursements to the lessor of Shore's proportionate share of common area maintenance (CAM), real estate taxes and other pass-through charges. Only the fixed lease components are included in the right-of-use assets and lease liabilities. Additionally, Shore has elected not to apply these lease accounting policies to leases with a term of one year or less at the commencement date.

Operating lease expense for lease payments is recognized on a straight-line basis over the terms of each lease. Variable lease components include CAM, real estate taxes and other charges and are recorded as lease expense as incurred.

Shore's leases can contain options granting the right to renew or extend the term of the lease for specified option periods. The decision as to whether Shore will exercise the renewal options is generally at Shore's sole discretion. Shore includes lease extensions in the lease term when it is reasonably certain that Shore will exercise the extension.

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

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 2020. Shore does not expect a material net change in unrecognized tax benefits in the next twelve months.

New Accounting Pronouncement -

Effective July 1, 2022, Shore adopted ASU 2016-02, *Leases* (Topic 842) and subsequent amendments. Under ASU 2016-02, all of Shore's real estate and equipment leases that have lease terms exceeding twelve months will now be required to be recognized on the statement of financial position as amortizable right-of-use assets accompanied by liabilities for the present value of the lease payments that the Shore is obligated to make in order to obtain control of the leased assets for the duration of each lease term.

Lease expense, under these amendments, will be recognized in different patterns depending on whether the underlying lease is an operating lease or a finance lease. Lease expense for operating leases will be recognized as a single expense using the straight-line method over the term of the lease, which includes options to renew the lease that Shore is reasonably expected to exercise. Finance lease expense will consist of two components, interest expense on the lease obligation payable and straight-line amortization of the right-of-use asset.

Implementation of these amendments is reflected using the modified retrospective method as of July 1, 2022. Consequently, the 2022 financial statements and disclosures do not reflect the effects of implementing the new lease standard. As a result of implementation, the Company recorded additional right of use assets and lease liabilities of \$110,669. Upon implementation, Shore elected an available package of practical expedients permitted under the transition guidance included in ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements* that permits Shore to carry forward the historical lease identification, classification and initial direct costs associated with the Shore's pre-existing leases. The implementation of the amendments did not materially impact Shore's net earnings or cash flows.

(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.

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.

The 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, 2023, and 2022.

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.

(2) FAIR VALUE MEASUREMENTS: (Continued)

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.

The following table sets forth by level, within the fair value hierarchy, Shore's assets at fair value as of June 30, 2023, and 2022:

	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 461,841	\$ -	\$ -	\$ 461,841
Common stock	986,642	-	-	986,642
Corporate bonds	315,735	-	-	315,735
Certificates of deposit	-	292,815	-	292,815
Total assets at fair value	<u>\$ 1,764,218</u>	<u>\$ 292,815</u>	<u>\$ -</u>	<u>\$ 2,057,033</u>
Money market funds				<u>106,544</u>
Total investments				<u>\$ 2,163,577</u>

	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>	<u>\$ 1,999,492</u>
Money market funds				<u>103,920</u>
Total investments				<u>\$ 2,103,412</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:

	<u>2023</u>	<u>2022</u>
Replacement reserve deposit	\$ 412,024	\$ 416,984
Insurance deposit	123,020	116,809
Residual receipts deposit	5,004	52,370
Tenant security deposits	<u>1,868</u>	<u>1,868</u>
	<u>\$ 541,916</u>	<u>\$ 588,031</u>

(4) UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than on year	\$ \$161,250	\$ 45,342
Receivable in greater than on year and less than five years	<u>425,000</u>	<u>-</u>
Total	<u>\$ 586,250</u>	<u>\$ 45,342</u>

(5) LEASES:

Shore has two operating leases for a building and a copier that expire at various dates through April 2030.

The components of lease expense for the year ending June 30, 2023, are as follows:

Operating lease cost	<u>\$ 39,421</u>
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Future minimum lease payments under noncancelable leases as of June 30, 2023, are as follows:

2024	\$ 24,561
2025	44,561
2026	145,161
2027	146,733
2028	127,945
Thereafter	<u>244,334</u>
Total future minimum lease payments	733,295
Less imputed interest included	<u>(100,529)</u>
Present value of net minimum lease payments	<u>\$ 632,766</u>

(5) LEASES: (Continued)

The following provides additional information related to the Shore's leases as of and for the year ended June 30, 2023:

Current portion of lease liabilities	\$ 22,633
Long-term portion of lease liabilities	<u>610,133</u>
Total lease liabilities	<u>\$ 632,766</u>
Weighted average lease term	6.08 years
Weighted average discount rate	3.59%

Cash paid for amounts included in the measurements of the Shore's leases for the year ended June 30, 2023, is as follows:

Operating cash used for operating leases	<u>\$ 24,252</u>
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Lease expense for the year ended June 30, 2022 was \$25,505.

(6) 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%, (7.75% on June 30, 2023). The line is secured by the Regenstein Fund and a blanket lien on all business assets and is due in February 2024. On June 30, 2023, and 2022, the outstanding balance of the line of credit was \$530,000 and \$1,280,000, respectively. Shore must maintain a debt service coverage ratio of at least 1:00 to 1:00. Shore was in compliance with the debt service coverage ratio at June 30, 2023.

(7) NOTES PAYABLE:

	<u>2023</u>	<u>2022</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.	\$ 95,731	\$ 191,338
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.	1,001,821	1,067,752
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

(7) NOTES PAYABLE: (Continued)

	<u>2023</u>	<u>2022</u>
Payable to HUD in monthly installments of \$451, noninterest bearing, due in January 2024 and unsecured.	<u>2,944</u>	<u>8,356</u>
	1,100,496	2,135,202
Less - Current maturities	<u>179,811</u>	<u>223,809</u>
Long-term maturities	<u>\$ 920,685</u>	<u>\$ 1,911,393</u>

Future maturities are summarized as follows:

<u>Year ending June 30,</u>	
2024	\$ 179,811
2025	84,653
2026	<u>836,032</u>
	<u>\$ 1,100,496</u>

(8) 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, 2023, and 2022.

(9) CONCENTRATIONS:

Shore has received significant program fees from the Illinois Department of Human Services in the years ended June 30, 2023, and 2022. In the years ended June 30, 2023, and 2022, the Illinois Department of Human Services provided 48% and 57% of Shore's total support, fees, and revenue, respectively.

(10) 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.

(11) LIQUIDITY AND AVAILABILITY:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 874,883	\$ 996,007
Investments	2,163,577	2,103,412
Program fees/grants receivable	427,781	798,173
Pledges receivable, current	<u>161,250</u>	<u>45,342</u>
Total financial assets	<u>3,627,491</u>	<u>3,942,934</u>
Less:		
Restricted for HUD-related deposits	541,916	588,031
Donor imposed restrictions	<u>2,288,577</u>	<u>2,103,412</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>\$ 796,998</u>	<u>\$ 1,251,491</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 2024 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.