

**SHORE COMMUNITY SERVICES, INC.**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2019 AND 2018**

**TOGETHER WITH AUDITOR'S REPORT**

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## 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., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

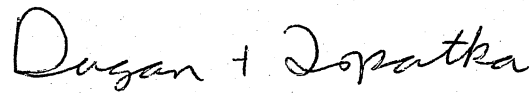
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

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

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, 2019 and 2018, 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.



DUGAN & LOPATKA

Warrenville, Illinois  
October 24, 2019

SHORE COMMUNITY SERVICES, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

A S S E T S

|  | <u>2019</u>              | <u>2018</u>              |
|--|--------------------------|--------------------------|
| <b>CURRENT ASSETS:</b>                   |                          |                          |
| Cash and cash equivalents - Unrestricted | \$ 262,152               | \$ 155,951               |
| - Restricted for HUD-related deposits    | 447,296                  | 396,218                  |
| - Restricted                             | 13,572                   | 46,979                   |
|  | <u>723,020</u>           | <u>599,148</u>           |
| <br>Total                                | <br>723,020              | <br>599,148              |
| <br>Investments                          | <br>1,865,739            | <br>1,749,670            |
| Receivables -                            |                          |                          |
| Program fees/grant receivable            | 452,003                  | 450,392                  |
| Pledge receivable                        | 63,511                   | 159,719                  |
| Other                                    | -                        | 142,609                  |
| Prepaid expenses                         | 8,156                    | 27,361                   |
|  | <u>3,112,429</u>         | <u>3,128,899</u>         |
| <br>Total current assets                 | <br><u>3,112,429</u>     | <br><u>3,128,899</u>     |
| <br><b>PROPERTY AND EQUIPMENT:</b>       |                          |                          |
| Land                                     | 1,521,361                | 1,521,361                |
| Buildings and improvements               | 8,650,730                | 8,461,746                |
| Furniture and equipment                  | 1,213,083                | 1,183,762                |
| Vehicles                                 | 956,925                  | 885,738                  |
| Less - Accumulated depreciation          | (5,174,372)              | (4,907,865)              |
|  | <u>7,167,727</u>         | <u>7,144,742</u>         |
| <br>Net property and equipment           | <br><u>7,167,727</u>     | <br><u>7,144,742</u>     |
| <br>Total assets                         | <br><u>\$ 10,280,156</u> | <br><u>\$ 10,273,641</u> |

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| <b>CURRENT LIABILITIES:</b>              |                      |                      |
| Notes payable, current maturities        | \$ 198,610           | \$ 175,560           |
| Line of credit                           | 1,240,000            | 1,125,000            |
| Accounts payable                         | 219,850              | 109,268              |
| Accrued expenses                         | 395,081              | 386,126              |
| HUD grant advance                        | 21,803               | 21,080               |
| Deferred revenue                         | -                    | 6,170                |
| Tenant security deposits                 | 1,779                | 1,778                |
|  | <u>2,077,123</u>     | <u>1,824,982</u>     |
| <b>LONG-TERM LIABILITIES:</b>            |                      |                      |
| Notes payable, net of current maturities | <u>2,585,434</u>     | <u>2,726,584</u>     |
|  | <u>4,662,557</u>     | <u>4,551,566</u>     |
| <b>NET ASSETS:</b>                       |                      |                      |
| Without donor restrictions               | 3,738,288            | 3,925,426            |
| With donor restrictions                  | <u>1,879,311</u>     | <u>1,796,649</u>     |
|  | <u>5,617,599</u>     | <u>5,722,075</u>     |
|  | <u>\$ 10,280,156</u> | <u>\$ 10,273,641</u> |

SHORE COMMUNITY SERVICES, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

|  | 2019                       |                         | 2018                       |                         | Total            |
|--|----------------------------|-------------------------|----------------------------|-------------------------|------------------|
|  | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions |                  |
| <b>SUPPORT, FEES AND OTHER REVENUE:</b>  |                            |                         |                            |                         |                  |
| Public Support -   |                            |                         |                            |                         |                  |
| Contributions  | \$ 507,012                 | \$ -                    | \$ 507,012                 | \$ 75,000               | \$ 571,722       |
| Bequests   | 212,233                    | -                       | 212,233                    | -                       | 340,000          |
| Department of Rehab Services   | 12,050                     | -                       | 12,050                     | 6,200                   | 6,200            |
| Evanston Mental Health Board   | 39,874                     | -                       | 39,874                     | 40,724                  | 40,724           |
| U.S. Department of Housing and Urban Development   | 266,964                    | -                       | 266,964                    | 263,877                 | 263,877          |
| Illinois Department of Public Aid  | 302,067                    | -                       | 302,067                    | 267,405                 | 267,405          |
| Fundraising events, net of direct expenses of \$54,162 and \$48,563 in 2019 and 2018, respectively | 143,066                    | -                       | 143,066                    | 121,008                 | 121,008          |
| <b>Total support</b>   | <b>1,483,266</b>           | <b>-</b>                | <b>1,483,266</b>           | <b>75,000</b>           | <b>1,610,936</b> |
| Program Fees -   |                            |                         |                            |                         |                  |
| Illinois Department of Human Services  | 3,730,175                  | -                       | 3,730,175                  | 3,273,806               | 3,273,806        |
| Sheltered Workshop   | 276,738                    | -                       | 276,738                    | 261,505                 | 261,505          |
| Client rental income   | 601,618                    | -                       | 601,618                    | 584,522                 | 584,522          |
| <b>Total fees</b>  | <b>4,608,531</b>           | <b>-</b>                | <b>4,608,531</b>           | <b>4,119,833</b>        | <b>4,119,833</b> |
| Other Revenue -  |                            |                         |                            |                         |                  |
| Second Time Around   | 75,872                     | -                       | 75,872                     | 99,277                  | 99,277           |
| Interest and dividend income   | 5,139                      | 40,127                  | 45,266                     | 296                     | 38,777           |
| Unrealized gain (loss) on investments  | -                          | 75,009                  | 75,009                     | (60,371)                | (60,371)         |
| Realized gain on investments   | -                          | 8,992                   | 8,992                      | 105,684                 | 105,684          |
| Gain on sale of fixed assets   | -                          | -                       | -                          | 65,677                  | 65,677           |
| Work contracts   | 161,447                    | -                       | 161,447                    | 158,855                 | 158,855          |
| Miscellaneous  | 10,112                     | -                       | 10,112                     | 119,750                 | 119,750          |
| In-kind revenue  | 13,869                     | -                       | 13,869                     | 9,350                   | 9,350            |
| Release of restrictions  | 41,466                     | (41,466)                | -                          | 47,878                  | -                |
| <b>Total other revenue</b>   | <b>307,905</b>             | <b>82,662</b>           | <b>390,567</b>             | <b>501,083</b>          | <b>536,999</b>   |
| <b>Total support, fees and revenue</b>   | <b>6,399,702</b>           | <b>82,662</b>           | <b>6,482,364</b>           | <b>6,156,852</b>        | <b>6,267,768</b> |

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

|                                      | 2019                       |                         |              | 2018                       |                         |              |
|--------------------------------------|----------------------------|-------------------------|--------------|----------------------------|-------------------------|--------------|
|                                      | Without Donor Restrictions | With Donor Restrictions | Total        | Without Donor Restrictions | With Donor Restrictions | Total        |
| <b>FUNCTIONAL EXPENSES:</b>          |                            |                         |              |                            |                         |              |
| Program services                     | \$ 5,489,252               | \$ -                    | \$ 5,489,252 | \$ 5,226,243               | \$ -                    | \$ 5,226,243 |
| Administrative                       | 1,026,333                  | -                       | 1,026,333    | 988,017                    | -                       | 988,017      |
| Fundraising                          | 71,255                     | -                       | 71,255       | -                          | -                       | -            |
| Total functional expenses:           | 6,586,840                  | -                       | 6,586,840    | 6,214,260                  | -                       | 6,214,260    |
| <b>CHANGE IN NET ASSETS</b>          | (187,138)                  | 82,662                  | (104,476)    | (57,408)                   | 110,916                 | 53,508       |
| <b>NET ASSETS, Beginning of year</b> | 3,925,426                  | 1,796,649               | 5,722,075    | 3,982,834                  | 1,685,733               | 5,668,567    |
| <b>NET ASSETS, End of year</b>       | \$ 3,738,288               | \$ 1,879,311            | \$ 5,617,599 | \$ 3,925,426               | \$ 1,796,649            | \$ 5,722,075 |

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

|  | <u>2019</u>              | <u>2018</u>              |
|--|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                          |                          |
| Change in net assets   | \$ (104,476)             | \$ 53,508                |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities - |                          |                          |
| Depreciation expense   | 266,506                  | 234,724                  |
| Unrealized (gain) loss on investments  | (75,020)                 | 60,371                   |
| Realized (gain) on investments   | (8,992)                  | (105,684)                |
| Gain on sale of fixed assets   | -                        | (65,677)                 |
| Changes in assets and liabilities -  |                          |                          |
| (Increase) decrease in receivables   | 237,206                  | (242,582)                |
| Decrease in prepaid expenses   | 19,205                   | 15,686                   |
| Increase (decrease) in accounts payable  | 110,582                  | (28,925)                 |
| Increase (decrease) in accrued expenses  | 8,955                    | (44,499)                 |
| Increase in grant advance  | 723                      | 21,080                   |
| (Decrease) in tenant security deposits   | 1                        | -                        |
| (Decrease) in deferred revenue   | (6,170)                  | (4,072)                  |
|  | <u>448,520</u>           | <u>(106,070)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                          |                          |
| Purchase of fixed assets   | (226,807)                | (78,913)                 |
| Proceeds from sale of fixed assets   | -                        | 97,873                   |
| Purchases of investments   | (70,393)                 | (611,987)                |
| Proceeds from sales of investments   | 38,337                   | 579,829                  |
|  | <u>(258,863)</u>         | <u>(13,198)</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                          |                          |
| Payments on notes payable  | (180,785)                | (161,156)                |
| Net proceeds from line of credit   | 115,000                  | 370,000                  |
|  | <u>(65,785)</u>          | <u>208,844</u>           |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | <b>123,872</b>           | <b>89,576</b>            |
| <b>CASH AND CASH EQUIVALENTS, Beginning of year</b>  | <b>599,148</b>           | <b>509,572</b>           |
| <b>CASH AND CASH EQUIVALENTS, End of year</b>  | <b><u>\$ 723,020</u></b> | <b><u>\$ 599,148</u></b> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>   |                          |                          |
| Interest paid  | <u>\$ 222,518</u>        | <u>\$ 181,981</u>        |
| Equipment financed with notes payable  | <u>\$ 62,685</u>         | <u>\$ 46,633</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, 2019

|  | Program Services  |                       |                              |              |              |              |                    |              |           |                | Total Program Services | Fundraising  | Total Expenses |  |
|--|-------------------|-----------------------|------------------------------|--------------|--------------|--------------|--------------------|--------------|-----------|----------------|------------------------|--------------|----------------|--|
|  | Lois Lloyd Center | Shore Training Center | Supported Living Arrangement | Shore Homes  | CILA         | DHS Training | Second Time Around | Respite Care | SLS 55A   | Administrative |                        |              |                |  |
| <b>FUNCTIONAL EXPENSES:</b>  |                   |                       |                              |              |              |              |                    |              |           |                |                        |              |                |  |
| Salaries and benefits  | \$ 895,448        | \$ 1,307,718          | \$ 58,419                    | \$ 778,666   | \$ 933,961   | \$ 23,589    | \$ 54,982          | \$ 4,267     | \$ 14,064 | \$ 488,399     | \$ 71,255              | \$ 4,630,768 |                |  |
| Professional fees  | 68,011            | 31,415                | 8,541                        | 83,559       | 61,140       | 319          | -                  | 3,146        | -         | 90,109         | -                      | 346,240      |                |  |
| Occupancy  | 87,461            | 137,828               | 19,448                       | 93,766       | 37,818       | 559          | 12,886             | -            | 67        | 87,988         | -                      | 477,821      |                |  |
| Meetings   | 859               | 623                   | 36                           | 822          | 675          | -            | 113                | -            | -         | 19,738         | -                      | 22,866       |                |  |
| Repairs and maintenance  | 259               | 799                   | 478                          | 4,005        | 45           | -            | -                  | 47           | 47        | 942            | -                      | 6,622        |                |  |
| Transportation   | 96,943            | 80,294                | 3,515                        | 18,841       | 19,223       | 68           | 217                | 138          | 166       | 3,402          | -                      | 222,807      |                |  |
| Telephone  | 9,439             | 14,543                | 456                          | 5,067        | 7,018        | -            | 1,603              | -            | -         | 15,622         | -                      | 53,748       |                |  |
| Supplies   | 16,139            | 44,656                | 819                          | 81,208       | 16,164       | 23           | 33                 | -            | 65        | 159,107        | -                      | 161,431      |                |  |
| Printing and copying   | 375               | 1,292                 | -                            | 953          | 113          | 25           | 535                | -            | -         | 18,373         | -                      | 21,666       |                |  |
| Dues and fees  | 4,728             | 6,065                 | 306                          | 4,333        | 4,757        | -            | 448                | 8            | 67        | 15,027         | -                      | 35,739       |                |  |
| Interest   | 865               | 673                   | -                            | 44,561       | 2,094        | -            | -                  | -            | -         | 165,364        | -                      | 213,557      |                |  |
| Special events   | -                 | 425                   | -                            | -            | -            | -            | -                  | -            | -         | -              | 53,737                 | 54,162       |                |  |
| Contingency  | -                 | 518                   | -                            | 723          | -            | -            | 5                  | -            | -         | 82             | -                      | 1,328        |                |  |
| Depreciation   | 72,788            | 68,345                | 853                          | 43,072       | 29,798       | -            | 5,824              | -            | -         | 45,826         | -                      | 266,506      |                |  |
| Other expenses   | 311               | 33,145                | 645                          | 2,022        | 14,074       | -            | 2,167              | 120          | 120       | 73,137         | -                      | 125,741      |                |  |
| <b>Total functional expenses</b>   | \$ 1,253,626      | \$ 1,728,339          | \$ 93,516                    | \$ 1,161,598 | \$ 1,126,880 | \$ 24,583    | \$ 78,813          | \$ 7,726     | \$ 14,596 | \$ 1,026,333   | \$ 124,992             | \$ 6,641,002 |                |  |
| Less expenses included with revenues on statement of activities                      | -                 | (425)                 | -                            | -            | -            | -            | -                  | -            | -         | -              | (53,737)               | (54,162)     |                |  |
| <b>Total expenses included in the expense section of the statement of activities</b> | \$ 1,253,626      | \$ 1,727,914          | \$ 93,516                    | \$ 1,161,598 | \$ 1,126,880 | \$ 24,583    | \$ 78,813          | \$ 7,726     | \$ 14,596 | \$ 1,026,333   | \$ 71,255              | \$ 6,586,840 |                |  |

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

|  | Program Services        |                             |                                    |                     |                   |                  |                          |                  |                  |                              |                     | Total<br>Program<br>Services | Administrative | Total<br>Expenses |  |  |
|--|-------------------------|-----------------------------|------------------------------------|---------------------|-------------------|------------------|--------------------------|------------------|------------------|------------------------------|---------------------|------------------------------|----------------|-------------------|--|--|
|  | Lois<br>Lloyd<br>Center | Shore<br>Training<br>Center | Supported<br>Living<br>Arrangement | Shore<br>Homes      | CILA              | DHS<br>Training  | Second<br>Time<br>Around | Respite<br>Care  | SLS<br>55A       | Total<br>Program<br>Services | Administrative      |                              |                |                   |  |  |
| Operating Expenses:  |                         |                             |                                    |                     |                   |                  |                          |                  |                  |                              |                     |                              |                |                   |  |  |
| Salaries and benefits  | \$ 891,610              | \$ 1,253,879                | \$ 82,967                          | \$ 718,989          | \$ 761,368        | \$ 14,632        | \$ 61,273                | \$ 18,745        | \$ 33,787        | \$ 3,837,250                 | \$ 524,403          | \$ 4,361,653                 |                |                   |  |  |
| Professional fees  | 17,583                  | 49,497                      | 8,642                              | 79,611              | 40,686            | -                | -                        | 13,327           | -                | 209,346                      | 77,647              | 286,993                      |                |                   |  |  |
| Occupancy  | 71,902                  | 117,527                     | 33,133                             | 158,450             | 36,318            | 14               | 14,558                   | 124              | 284              | 432,310                      | 67,444              | 499,754                      |                |                   |  |  |
| Meetings   | 890                     | 903                         | -                                  | 5                   | -                 | -                | 95                       | 9                | 10               | 1,912                        | 12,184              | 14,096                       |                |                   |  |  |
| Repairs and maintenance  | 124                     | 7,301                       | 1,243                              | 10,151              | 483               | -                | -                        | -                | -                | 19,302                       | (11,209)            | 8,093                        |                |                   |  |  |
| Transportation   | 85,718                  | 72,890                      | 788                                | 20,369              | 18,863            | -                | -                        | 267              | 752              | 199,647                      | 3,778               | 203,425                      |                |                   |  |  |
| Telephone  | 11,896                  | 8,756                       | 727                                | 7,152               | 6,638             | 2                | 1,638                    | 2                | 5                | 36,816                       | 11,794              | 48,610                       |                |                   |  |  |
| Supplies   | 17,091                  | 38,546                      | 641                                | 80,919              | 16,916            | 63               | -                        | 9                | 49               | 154,234                      | 5,935               | 160,169                      |                |                   |  |  |
| Printing and copying   | 52                      | 840                         | 35                                 | 1,797               | 90                | -                | 770                      | 11               | 11               | 3,606                        | 30,234              | 33,840                       |                |                   |  |  |
| Dues and fees  | 858                     | 1,240                       | 44                                 | 685                 | 704               | 30               | 330                      | 40               | 10               | 3,941                        | 21,455              | 25,396                       |                |                   |  |  |
| Interest   | 1,137                   | 10                          | -                                  | 52,755              | 1,181             | -                | -                        | -                | -                | 55,083                       | 151,807             | 206,890                      |                |                   |  |  |
| Special events   | -                       | -                           | -                                  | -                   | -                 | -                | -                        | -                | -                | -                            | 48,563              | 48,563                       |                |                   |  |  |
| Contingency  | -                       | 626                         | -                                  | 37,534              | 190               | 6                | 13                       | -                | -                | 38,369                       | (615)               | 37,754                       |                |                   |  |  |
| Depreciation   | 71,657                  | 63,558                      | 2,345                              | 30,898              | 27,189            | -                | 5,837                    | -                | -                | 201,284                      | 33,440              | 234,724                      |                |                   |  |  |
| Other expenses   | 5,680                   | 19,012                      | 342                                | 4,306               | 1,101             | 48               | 2,210                    | 246              | 198              | 33,143                       | 59,720              | 92,863                       |                |                   |  |  |
| <b>Total functional expenses</b>   | <b>\$ 1,176,198</b>     | <b>\$ 1,634,385</b>         | <b>\$ 130,907</b>                  | <b>\$ 1,203,621</b> | <b>\$ 911,727</b> | <b>\$ 14,795</b> | <b>\$ 86,724</b>         | <b>\$ 32,780</b> | <b>\$ 35,106</b> | <b>\$ 5,226,243</b>          | <b>\$ 1,036,580</b> | <b>\$ 6,262,823</b>          |                |                   |  |  |
| Less expenses included with revenues on statement of activities                      |                         |                             |                                    |                     |                   |                  |                          |                  |                  |                              |                     |                              |                |                   |  |  |
| Special events   | -                       | -                           | -                                  | -                   | -                 | -                | -                        | -                | -                | -                            | (48,563)            | (48,563)                     |                |                   |  |  |
| <b>Total expenses included in the expense section of the statement of activities</b> | <b>\$ 1,176,198</b>     | <b>\$ 1,634,385</b>         | <b>\$ 130,907</b>                  | <b>\$ 1,203,621</b> | <b>\$ 911,727</b> | <b>\$ 14,795</b> | <b>\$ 86,724</b>         | <b>\$ 32,780</b> | <b>\$ 35,106</b> | <b>\$ 5,226,243</b>          | <b>\$ 988,017</b>   | <b>\$ 6,214,260</b>          |                |                   |  |  |

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

(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 24, 2019 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 restriction and net assets with donor restriction.

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

*With donor restriction* – 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, 2019, and 2018, there net assets with donor restrictions.

|                    | <u>2019</u>         | <u>2018</u>         |
|--------------------|---------------------|---------------------|
| Regenstein Fund    | \$ 1,865,739        | \$ 1,749,670        |
| True North Program | -                   | 33,425              |
| Lang Fund          | <u>13,572</u>       | <u>13,554</u>       |
|                    | <u>\$ 1,879,311</u> | <u>\$ 1,796,649</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, 2019 and 2018, was \$266,506 and \$234,724, 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)

Restricted and Unrestricted Support -

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions that is restricted by the donor is reported as an increase in without donor restrictions if the restriction is met in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in with donor restrictions net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 2016. Shore does not expect a material net change in unrecognized tax benefits in the next twelve months.

New Accounting Pronouncement -

During 2019, Shore adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This update to ASU 958 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Shore had adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

(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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

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

Mutual Funds: Valued at the net asset value (NAV) of shares held by Shore at year end.

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.

(2) FAIR VALUE MEASUREMENTS: (Continued)

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, 2019 and 2018:

|                            | Assets at Fair Value as of June 30, 2019 |                   |             |                     |
|----------------------------|--|-------------------|-------------|---------------------|
|                            | Level 1                                  | Level 2           | Level 3     | Total               |
| Mutual funds               | \$ 291,111                               | \$ -              | \$ -        | \$ 291,111          |
| Common stock               | 883,665                                  | -                 | -           | 883,665             |
| Corporate bonds            | 202,238                                  | -                 | -           | 202,238             |
| Certificates of deposit    | -  | 451,169           | -           | 451,169             |
| Total assets at fair value | <u>\$ 1,377,014</u>                      | <u>\$ 451,169</u> | <u>\$ -</u> | <u>\$ 1,828,183</u> |
| Money market funds         |  |                   |             | <u>37,556</u>       |
| Total investments          |  |                   |             | <u>\$ 1,865,739</u> |

|                            | Assets at Fair Value as of June 30, 2018 |                   |             |                     |
|----------------------------|--|-------------------|-------------|---------------------|
|                            | Level 1                                  | Level 2           | Level 3     | Total               |
| Mutual funds               | \$ 237,635                               | \$ -              | \$ -        | \$ 237,635          |
| Common stock               | 792,335                                  | -                 | -           | 792,335             |
| Corporate bonds            | 147,457                                  | -                 | -           | 147,457             |
| Certificates of deposit    | -  | 495,689           | -           | 495,689             |
| Total assets at fair value | <u>\$ 1,177,427</u>                      | <u>\$ 495,689</u> | <u>\$ -</u> | <u>\$ 1,673,116</u> |
| Money market funds         |  |                   |             | <u>76,554</u>       |
| Total investments          |  |                   |             | <u>\$ 1,749,670</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>2019</u>       | <u>2018</u>       |
|-----------------------------|-------------------|-------------------|
| Replacement reserve deposit | \$ 335,751        | \$ 309,617        |
| Insurance deposit           | 81,963            | 70,652            |
| Residual receipts deposit   | 27,803            | 14,171            |
| Tenant security deposits    | <u>1,779</u>      | <u>1,778</u>      |
|                             | <u>\$ 447,296</u> | <u>\$ 396,218</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, 2019 and 2018 was \$32,062 and \$28,104, respectively.

Future minimum lease payments are as follows:

| <u>Year ending<br/>June 30,</u> |           |
|---------------------------------|-----------|
| 2020                            | \$ 35,489 |
| 2021                            | 22,665    |
| 2022                            | 20,100    |
| 2023                            | 6,700     |

(5) LINE OF CREDIT:

Shore has a line of credit from a bank with a limit of the lesser of \$1,450,000 or 80% of the aggregate amount of the Regenstein Fund. The line bears interest at prime minus .50%, (5.0% at June 30, 2019). The line is secured by the Regenstein Fund and a blanket lien on all business assets and is due in February, 2020. At June 30, 2019 and 2018, the outstanding balance of the line of credit was \$1,240,000 and \$1,125,000, respectively. Shore must maintain a debt service coverage ratio of at least 1:00 to 1:00. As of June 30, 2019, Shore has met the ratio.



(6) NOTES PAYABLE

|  | <u>2019</u>         | <u>2018</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.  | \$ 430,561          | \$ 496,694          |
| Payable to a bank in monthly installments of \$9,960 principal and interest, bearing interest of 4.5%, a balloon payment due in November 2020 and secured by a building.   | 1,252,033           | 1,312,908           |
| Payable to a bank, in monthly installments of \$6,963 principal and interest, bearing interest of 4.75%, a balloon payment due in December 2021 and secured by a building. Shore must maintain debt service coverage ratio of at least 1:00 to 1:00. As of June 30, 2018, Shore has not met the ratio. | 984,883             | 1,020,079           |
| Payable to HUD in monthly installments of \$451, noninterest bearing, due in January 2024 and unsecured.   | 24,141              | 29,553              |
| Vehicle loan payable in monthly installments of \$288, principal and interest, bearing interest of 6.03% a maturity date of October 2023.  | 12,920              | 15,510              |
| Server capital lease in monthly installments of \$194, principal and interest, bearing interest of 17% and secured by the server with a maturity date of March 2022.   | 4,843               | -                   |
| 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 with a maturity date of November 2023.   | 51,379              | -                   |
| Vehicle loan payable in monthly installments of \$516, principal and interest, bearing interest of 8.04% and secured by the vehicle with a maturity date of December 2023.   | <u>23,284</u>       | <u>27,400</u>       |
|  | 2,784,044           | 2,902,144           |
| Less - Current maturities  | <u>198,610</u>      | <u>175,560</u>      |
| Long-term maturities   | <u>\$ 2,585,434</u> | <u>\$ 2,726,584</u> |

(6) NOTES PAYABLE: (Continued)

Future maturities are summarized as follows:

| <u>Year ending</u><br><u>June 30,</u> |                     |
|---------------------------------------|---------------------|
| 2020                                  | \$ 198,610          |
| 2021                                  | 1,331,976           |
| 2022                                  | 1,023,594           |
| 2023                                  | 122,557             |
| 2024                                  | <u>107,307</u>      |
|                                       | <u>\$ 2,784,044</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, 2019 and 2018.

(8) CONCENTRATIONS:

Shore has received significant program fees from the Illinois Department of Human Services in the years ended June 30, 2019 and 2018. In the years ended June 30, 2019 and 2018, the Illinois Department of Human Services provided 57% and 52%, respectively, 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) LIQUIDITY AND AVAILABILITY:

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| Financial Assets:   |                   |                   |
| Cash and cash equivalents   | \$ 723,020        | \$ 599,148        |
| Investments   | 1,865,739         | 1,749,670         |
| Program fees/grants receivable  | 452,003           | 450,392           |
| Pledges receivable  | 63,511            | 159,719           |
| Other receivables   | <u>-</u>          | <u>142,609</u>    |
| Total Financial Assets  | <u>3,104,273</u>  | <u>3,101,538</u>  |
| Less:   |                   |                   |
| Restricted for HUD-related deposits   | 447,296           | 396,218           |
| Donor imposed restrictions  | <u>1,879,311</u>  | <u>1,796,649</u>  |
| Financial assets available to meet cash needs for<br>general expenditures that is without donor or other<br>restrictions limiting their use within one year | <u>\$ 777,666</u> | <u>\$ 908,671</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 2020 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.