

SHORE COMMUNITY SERVICES, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2021 AND 2020**

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., which comprise the statement of financial position as of June 30, 2021 and 2020, 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

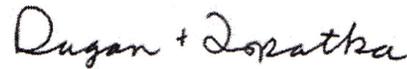
Independent Auditor's Report
To the Board of Directors of
Shore Community Services, Inc.
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Opinion

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, 2021 and 2020, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2021, on our consideration of Shore Community Services, Inc.'s internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shore Community Services, Inc.'s internal control over financial reporting and compliance.



DUGAN & LOPATKA

Warrenville, Illinois
October 22, 2021

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, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shore Community Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shore Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Shore Community Services, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

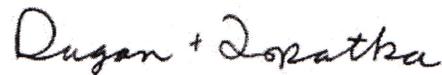
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Compliance and Other Matters

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
October 22, 2021

SHORE COMMUNITY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	\$ 855,020	\$ 1,060,041
- Restricted for HUD-related deposits	523,931	485,214
- Restricted	13,589	13,583
Total	1,392,540	1,558,838
Investments	2,280,865	1,872,389
Receivables -		
Program fees/grant receivable	322,666	282,522
Pledge receivable	180,202	100,857
Prepaid expenses	65,471	419
Total current assets	4,241,744	3,815,025
PROPERTY AND EQUIPMENT:		
Land	1,521,361	1,521,361
Buildings and improvements	8,869,640	8,791,674
Furniture and equipment	1,254,464	1,222,240
Vehicles	956,925	956,925
Less - Accumulated depreciation	(5,780,735)	(5,465,626)
Net property and equipment	6,821,655	7,026,574
Total assets	\$ 11,063,399	\$ 10,841,599

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES:		
Notes payable, current maturities	\$ 1,097,892	\$ 1,333,880
Line of credit	1,290,000	1,320,000
Accounts payable	131,818	132,661
Accrued expenses	497,402	411,112
HUD grant advance	21,804	21,804
Refundable advance	282,488	521,528
Tenant security deposits	1,825	1,565
	<u>3,323,229</u>	<u>3,742,550</u>
LONG-TERM LIABILITIES:		
Notes payable, net of current maturities	<u>1,285,120</u>	<u>1,255,111</u>
	<u>4,608,349</u>	<u>4,997,661</u>
NET ASSETS:		
Without donor restrictions	4,147,957	3,957,966
With donor restrictions	<u>2,307,093</u>	<u>1,885,972</u>
	<u>6,455,050</u>	<u>5,843,938</u>
	<u>\$ 11,063,399</u>	<u>\$ 10,841,599</u>

SHORE COMMUNITY SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, FEES AND OTHER REVENUE:						
Public Support -						
Contributions	\$ 615,182	\$ 40,000	\$ 655,182	\$ 492,220	\$ 25,000	\$ 517,220
Bequests	10,000	-	10,000	201,983	-	201,983
Evanston Mental Health Board	19,117	-	19,117	44,267	-	44,267
U.S. Department of Housing and Urban Development	275,658	-	275,658	254,243	-	254,243
Payroll Protection Program Grants	1,097,340	-	1,097,340	336,772	-	336,772
Fundraising events, net of direct expenses of \$22,553 and \$20,579 in 2021 and 2020, respectively	9,565	-	9,565	91,678	-	91,678
Total support	<u>2,026,862</u>	<u>40,000</u>	<u>2,066,862</u>	<u>1,421,163</u>	<u>25,000</u>	<u>1,446,163</u>
Program Fees -						
Illinois Department of Human Services	2,977,988	-	2,977,988	3,932,415	-	3,932,415
Illinois Department of Public Aid	405,600	-	405,600	328,673	-	328,673
Department of Rehab Services	31,100	-	31,100	19,850	-	19,850
Work contracts	168,811	-	168,811	175,208	-	175,208
Sheltered Workshop	170,899	-	170,899	176,656	-	176,656
Client rental income	533,876	-	533,876	581,010	-	581,010
Total fees	<u>4,288,274</u>	<u>-</u>	<u>4,288,274</u>	<u>5,213,812</u>	<u>-</u>	<u>5,213,812</u>
Other Revenue -						
Second Time Around	-	-	-	41,360	-	41,360
Interest and dividend income	215	45,304	45,519	348	46,167	46,515
Unrealized gain (loss) on investments	-	318,279	318,279	-	(69,956)	(69,956)
Realized gain on investments	-	58,100	58,100	-	42,949	42,949
Miscellaneous	18,075	-	18,075	20,522	-	20,522
In-kind revenue	22,992	-	22,992	36,694	-	36,694
Release of restrictions	40,562	(40,562)	-	37,499	(37,499)	-
Total other revenue	<u>81,844</u>	<u>381,121</u>	<u>462,965</u>	<u>136,423</u>	<u>(18,339)</u>	<u>118,084</u>
Total support, fees and revenue	<u>6,396,980</u>	<u>421,121</u>	<u>6,818,101</u>	<u>6,771,398</u>	<u>6,661</u>	<u>6,778,059</u>

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, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
FUNCTIONAL EXPENSES:						
Program services	\$ 5,112,125	\$ -	\$ 5,112,125	\$ 5,453,026	\$ -	\$ 5,453,026
Administrative	916,440	-	916,440	928,069	-	928,069
Fundraising	178,424	-	178,424	170,625	-	170,625
Total functional expenses:	<u>6,206,989</u>	<u>-</u>	<u>6,206,989</u>	<u>6,551,720</u>	<u>-</u>	<u>6,551,720</u>
CHANGE IN NET ASSETS	<u>189,991</u>	<u>421,121</u>	<u>611,112</u>	<u>219,678</u>	<u>6,661</u>	<u>226,339</u>
NET ASSETS, Beginning of year	<u>3,957,966</u>	<u>1,885,972</u>	<u>5,843,938</u>	<u>3,738,288</u>	<u>1,879,311</u>	<u>5,617,599</u>
NET ASSETS, End of year	<u>\$ 4,147,957</u>	<u>\$ 2,307,093</u>	<u>\$ 6,455,050</u>	<u>\$ 3,957,966</u>	<u>\$ 1,885,972</u>	<u>\$ 5,843,938</u>

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 611,112	\$ 226,339
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation expense	315,109	291,254
Unrealized (gain) loss on investments	(318,279)	69,956
Realized (gain) on investments	(58,100)	(42,949)
Changes in assets and liabilities -		
(Increase) decrease in receivables	(119,489)	132,135
(Increase) decrease in prepaid expenses	(65,052)	7,737
(Decrease) in accounts payable	(843)	(87,189)
Increase in accrued expenses	86,290	16,031
Increase in HUD grant advance	-	1
Increase (decrease) in refundable advance	(239,040)	521,528
Increase (decrease) in tenant security deposits	260	(214)
	<u>211,968</u>	<u>1,134,629</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(110,190)	(147,101)
Purchases of investments	(414,350)	(535,962)
Proceeds from sales of investments	382,253	502,305
	<u>(142,287)</u>	<u>(180,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(205,979)	(198,053)
Net proceeds (payments) from line of credit	(30,000)	80,000
	<u>(235,979)</u>	<u>(118,053)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(166,298)	835,818
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,558,838</u>	<u>723,020</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,392,540</u>	<u>\$ 1,558,838</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 176,592</u>	<u>\$ 205,545</u>
Equipment financed with notes payable	<u>\$ -</u>	<u>\$ 3,000</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, 2021

	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	Second Time Around	Early Intervention	Therapy Services				
FUNCTIONAL EXPENSES:														
Salaries and benefits	\$ 57,072	\$ 466,417	\$ 882,824	\$ 92,451	\$ 967,846	\$ 1,174,856	\$ 8,837	\$ 662	\$ 3,232	\$ 3,803	\$ 3,658,000	\$ 525,932	\$ 163,991	\$ 4,347,923
Professional fees	-	1,286	78,354	1,071	68,559	40,145	-	-	-	160,244	349,659	57,421	-	407,080
Occupancy	162	80,174	94,410	24,772	130,474	36,775	-	989	-	-	367,756	77,652	718	446,126
Meetings	90	502	738	-	100	430	50	-	-	-	1,910	1,918	90	3,918
Repairs and maintenance	-	3,912	6,502	-	(109)	6,299	-	-	-	-	16,604	241	4,750	21,595
Transportation	-	15,946	35,465	1,874	10,700	14,684	-	-	-	-	78,669	1,373	204	80,246
Telephone	483	9,582	14,594	2,187	7,538	8,155	56	-	-	-	42,595	14,401	-	56,996
Supplies	43	7,073	48,023	1,365	96,128	26,388	-	-	-	-	179,020	4,926	-	183,946
Printing and copying	30	626	488	-	2,778	540	-	-	-	-	4,462	2,272	4,649	11,383
Dues and fees	200	7,053	12,396	1,679	39,893	12,476	-	-	250	-	73,947	19,973	2,604	96,524
Interest	-	532	696	5	31,381	1,306	-	-	-	-	33,920	142,671	-	176,591
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingency	-	-	(100)	-	557	13,173	-	-	-	-	13,630	535	-	14,165
Depreciation	-	93,310	81,586	1,232	53,874	39,031	-	-	-	-	269,033	46,076	-	315,109
Other expenses	120	436	9,073	1,015	4,060	8,216	-	-	-	-	22,920	21,049	1,418	45,387
Total functional expenses	58,200	686,849	1,265,049	127,651	1,413,779	1,382,474	8,943	1,651	3,482	164,047	5,112,125	916,440	200,977	6,229,542
Less expenses included with revenues on statement of activities														
Special events	-	-	-	-	-	-	-	-	-	-	-	-	(22,553)	(22,553)
Total expenses included in the expense section of the statement of activities	\$ 58,200	\$ 686,849	\$ 1,265,049	\$ 127,651	\$ 1,413,779	\$ 1,382,474	\$ 8,943	\$ 1,651	\$ 3,482	\$ 164,047	\$ 5,112,125	\$ 916,440	\$ 178,424	\$ 6,206,989

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services											Total Program Services	Administrative	Fundraising	Total Expenses	
	Lois Lloyd Center	Shore Training Center	Supported Living Arrangement	Shore Homes	CILA	DHS Training	Second Time Around	Respite Care	Early Intervention	Therapy Services	SLS 55A					
FUNCTIONAL EXPENSES:																
Salaries and benefits	\$ 764,641	\$ 1,141,998	\$ 86,865	\$ 840,787	\$ 1,111,228	\$ 38,360	\$ 26,484	\$ 3,866	\$ 12,231	\$ 3,961	\$ 36,219	\$ 4,066,640	\$ 485,035	\$ 153,204	\$ 4,704,879	
Professional fees	6,885	46,550	3,392	93,727	71,021	-	-	-	-	117,882	128	339,585	59,387	-	398,972	
Occupancy	62,301	106,473	18,620	103,025	36,452	-	7,546	-	-	-	67	334,484	59,615	691	394,790	
Meetings	599	1,158	12	24	209	-	-	-	-	-	12	2,014	4,242	2,125	8,381	
Repairs and maintenance	11,156	4,789	28	2,861	2,395	-	-	-	-	-	-	21,229	6,367	-	27,596	
Transportation	56,587	78,393	2,547	13,666	18,103	-	-	-	216	-	237	169,749	3,029	257	173,035	
Telephone	8,465	16,903	582	6,797	8,079	138	857	-	-	-	233	42,054	15,209	-	57,263	
Supplies	12,212	44,224	497	85,131	26,193	-	12	-	1,662	-	196	170,127	4,666	-	174,793	
Printing and copying	286	305	81	1,735	273	-	(94)	-	-	30	-	2,616	837	11,077	14,530	
Dues and fees	4,697	6,418	458	4,492	5,233	36	382	150	250	-	150	22,266	7,801	538	30,605	
Interest	682	923	-	39,165	1,754	-	-	-	-	-	-	42,524	163,022	-	205,546	
Special events	-	425	-	-	-	-	-	-	-	-	-	425	-	20,154	20,579	
Contingency	-	5	-	(17,865)	3,129	13	-	-	-	-	-	(14,718)	444	-	(14,274)	
Depreciation	80,147	74,868	1,200	49,312	29,908	-	5,824	-	-	-	-	241,259	49,995	-	291,254	
Other expenses	1,605	3,926	120	1,907	4,332	-	1,065	120	2	-	120	13,197	68,420	2,733	84,350	
Total functional expenses	1,010,263	1,527,358	114,402	1,224,764	1,318,309	38,547	42,076	4,136	14,361	121,873	37,362	5,453,451	928,069	190,779	6,572,299	
Less expenses included with revenues on statement of activities																
Special events	-	(425)	-	-	-	-	-	-	-	-	-	(425)	-	(20,154)	(20,579)	
Total expenses included in the expense section of the statement of activities	\$ 1,010,263	\$ 1,526,933	\$ 114,402	\$ 1,224,764	\$ 1,318,309	\$ 38,547	\$ 42,076	\$ 4,136	\$ 14,361	\$ 121,873	\$ 37,362	\$ 5,453,026	\$ 928,069	\$ 170,625	\$ 6,551,720	

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(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 22, 2021 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, 2021, and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Regenstein Fund	\$ 2,280,865	\$ 1,872,389
Lang Fund	13,589	13,583
Home Based Services	<u>12,639</u>	<u>-</u>
	<u>\$ 2,307,093</u>	<u>\$ 1,885,972</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-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, 2021 and 2020, was \$315,109 and \$291,254, 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.

Reclassifications -

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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 2018. Shore does not expect a material net change in unrecognized tax benefits in the next twelve months.

(2) FAIR VALUE MEASUREMENTS:

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

Level 1:

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

(2) FAIR VALUE MEASUREMENTS: (Continued)

Level 2:

Inputs to the valuation methodology include:

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

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

Level 3:

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

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

Mutual Funds: Valued at the closing price (net asset value) reported on the active market on which the individual securities are traded.

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

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

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

The following table sets forth by level, within the fair value hierarchy, Shore's assets at fair value as of June 30, 2021 and 2020:

(2) FAIR VALUE MEASUREMENTS: (Continued)

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

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 364,208	\$ -	\$ -	\$ 364,208
Common stock	832,284	-	-	832,284
Corporate bonds	228,579	-	-	228,579
Certificates of deposit	-	263,388	-	263,388
Total assets at fair value	<u>\$ 1,425,071</u>	<u>\$ 263,388</u>	<u>\$ -</u>	<u>\$ 1,688,459</u>
Money market funds				<u>183,930</u>
Total investments				<u>\$ 1,872,389</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:

	2021	2020
Replacement reserve deposit	\$ 389,358	\$ 362,326
Insurance deposit	104,811	93,390
Residual receipts deposit	27,808	27,804
Tenant security deposits	1,954	1,694
	<u>\$ 523,931</u>	<u>\$ 485,214</u>

(4) COMMITMENTS:

Shore has several operating leases for vehicles and a copier that expire at various dates through October 2021. Lease expense for the years ended June 30, 2021 and 2020 was \$26,444 and \$26,527 respectively. The lease period has ended for the vehicles but Shore maintains an open-end agreement and are now on a month-to-month basis.

Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
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 \$1,500,000 or 80% of the aggregate amount of the Regenstein Fund. The line bears interest at prime minus .50%, (3.25% at June 30, 2021). The line is secured by the Regenstein Fund and a blanket lien on all business assets and is due in February, 2023. At June 30, 2021 and 2020, the outstanding balance of the line of credit was \$1,290,000 and \$1,320,000, respectively. Shore must maintain a debt service coverage ratio of at least 1:00 to 1:00. As of June 30, 2021, Shore has met the ratio.

(6) NOTES PAYABLE:

	<u>2021</u>	<u>2020</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.	\$ 278,529	\$ 358,045
Payable to a bank in monthly installments of \$9,960 principal and interest, bearing interest of 4.25%, a balloon payment due in November 2025 and secured by a building.	1,130,907	1,188,474
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, 2020, Shore has met the ratio.	909,341	948,082

(6) NOTES PAYABLE: (Continued)

	<u>2021</u>	<u>2020</u>
Payable to HUD in monthly installments of \$451, noninterest bearing, due in January 2024 and unsecured.	\$ 13,317	\$ 18,729
Vehicle loan payable in monthly installments of \$288, principal and interest, bearing interest of 6.03% a maturity date of October 2023.	7,237	10,161
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.	-	3,213
Server capital lease in monthly installments of \$102, principal and interest, bearing interest of 13.66% and secured by the server with a maturity date of January 2023.	-	2,581
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.	29,743	40,879
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>13,938</u>	<u>18,827</u>
	2,383,012	2,588,991
Less - Current maturities	<u>1,097,892</u>	<u>1,333,880</u>
Long-term maturities	<u>\$ 1,285,120</u>	<u>\$ 1,255,111</u>

Future maturities are summarized as follows:

<u>Year ending</u> <u>June 30,</u>	
2022	\$ 1,097,892
2023	201,373
2024	189,597
2025	85,828
Thereafter	<u>808,322</u>
	<u>\$ 2,383,012</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, 2021 and 2020.

(8) CONCENTRATIONS:

Shore has received significant program fees from the Illinois Department of Human Services in the years ended June 30, 2021 and 2020. In the years ended June 30, 2021 and 2020, the Illinois Department of Human Services provided 44% and 58% of Shore's total support, fees, and revenue, respectively.

(9) FEDERAL AND STATE GRANTS:

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

(10) CONDITIONAL GRANT:

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

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

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

(10) CONDITIONAL GRANT: (Continued)

Refundable advance as of June 30, 2020	\$ 521,528
Funds received under PPP conditional grant	858,300
Payroll expenses funded by PPP conditional grant	<u>(1,097,340)</u>
Refundable advance as of June 30, 2021	<u>\$ 282,488</u>

(11) LIQUIDITY AND AVAILABILITY:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,392,540	\$ 1,558,838
Investments	2,280,865	1,872,389
Program fees/grants receivable	322,666	282,522
Pledges receivable	<u>180,202</u>	<u>100,857</u>
Total financial assets	<u>4,176,273</u>	<u>3,814,606</u>
Less:		
Restricted for HUD-related deposits	523,931	485,214
Donor imposed restrictions	<u>2,307,093</u>	<u>1,885,972</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 1,345,249</u>	<u>\$ 1,443,420</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 2022 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.

(12) MANAGEMENT'S RESPONSE TO EFFECTS OF COVID-19 PANDEMIC:

In March 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As a part of these mitigation measures, Shore has operated many of its programs at reduced capacity. In response to the effects of COVID-19, management is implementing strategies to help mitigate the losses in relation to this Pandemic. In its day programs, the health and safety of our staff and participants is the highest priority. While Shore is carefully working toward expanding the number of people being served, adhering strictly to the health and safety guidelines is paramount. Shore is also implementing strategies to help grow other programs, such as home-based services, in order to make up for lost day program revenue. Management has also applied for and received Payroll Protection Program loans which it has used to help supplement losses of revenues. Finally, management is looking for ways to reduce costs, in order to make up for the loss in day program revenue due to the COVID-19 pandemic.