

**SHORE COMMUNITY SERVICES, INC.**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2024, AND 2023**

**TOGETHER WITH AUDITOR'S REPORT**



Certified Public Accountants

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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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and 2023, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shore Community Services, Inc., as of June 30, 2024, and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shore Community Services, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Shore Community Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shore Community Services, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about Shore Community Services Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Independent Auditor's Report  
To the Board of Directors of  
Shore Community Services, Inc.  
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***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2024, 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  
December 9, 2024

SHORE COMMUNITY SERVICES, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2043 AND 2023

A S S E T S

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	\$ 78,431	\$ 332,967
Cash and cash equivalents - Restricted for HUD-related deposits	<u>604,075</u>	<u>541,916</u>
Total	682,506	874,883
Investments	1,946,820	2,163,577
Receivables -		
Program fees receivable	463,157	404,046
Grants receivable	99,365	23,735
Pledge receivable, current portion	188,045	161,250
Prepaid expenses	<u>11,240</u>	<u>799</u>
Total current assets	<u>3,391,133</u>	<u>3,628,290</u>
PROPERTY AND EQUIPMENT:		
Land	881,361	881,361
Buildings and improvements	6,844,552	6,585,650
Furniture and equipment	1,298,153	1,288,466
Vehicles	956,925	956,925
Website	29,900	-
Less - Accumulated depreciation	<u>(5,152,350)</u>	<u>(4,884,672)</u>
Net property and equipment	<u>4,858,541</u>	<u>4,827,730</u>
OTHER ASSETS:		
Deposit	30,000	30,000
Pledge receivables, net of current portion	300,000	425,000
Operating lease right of use asset	<u>517,196</u>	<u>617,112</u>
Total other assets	<u>847,196</u>	<u>1,072,112</u>
Total assets	<u><u>\$ 9,096,870</u></u>	<u><u>\$ 9,528,132</u></u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES:		
Notes payable, current maturities	\$ 84,108	\$ 179,811
Operating lease liability, current portion	29,027	22,633
Line of credit	680,000	530,000
Accounts payable	56,335	54,812
Accrued expenses	296,943	301,771
Tenant security deposits	<u>1,158</u>	<u>1,158</u>
Total current liabilities	<u>1,147,571</u>	<u>1,090,185</u>
LONG-TERM LIABILITIES:		
Notes payable, net of current maturities	849,134	920,685
Operating lease liability, net of current portion	<u>594,712</u>	<u>610,133</u>
Total long-term liabilities	<u>1,443,846</u>	<u>1,530,818</u>
Total liabilities	<u>2,591,417</u>	<u>2,621,003</u>
NET ASSETS:		
Without donor restrictions	4,083,633	4,193,552
With donor restrictions	<u>2,421,820</u>	<u>2,713,577</u>
Total net assets	<u>6,505,453</u>	<u>6,907,129</u>
Total liabilities and net assets	<u>\$ 9,096,870</u>	<u>\$ 9,528,132</u>

SHORE COMMUNITY SERVICES, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, FEES AND OTHER REVENUE:						
Public Support -						
Contributions	\$ 604,804	\$ 25,000	\$ 629,804	\$ 661,310	\$ 640,000	\$ 1,301,310
Bequests	10,000	-	10,000	86,663	-	86,663
U.S. Department of Housing and Urban Development	262,618	-	262,618	251,652	-	251,652
In-kind revenue	3,672	-	3,672	3,219	-	3,219
Fundraising events, net of direct expenses of \$58,355 and \$45,000 in 2024 and 2023, respectively	172,349	-	172,349	180,446	-	180,446
Total support	1,053,443	25,000	1,078,443	1,183,290	640,000	1,823,290
Program Fees -						
Illinois Department of Human Services	3,673,325	-	3,673,325	3,473,849	-	3,473,849
Illinois Department of Public Aid	318,414	-	318,414	338,792	-	338,792
Department of Rehab Services	21,600	-	21,600	17,650	-	17,650
Work contracts	-	-	-	6,162	-	6,162
Illinois Department of Health and Family Services	236,663	-	236,663	205,006	-	205,006
Client rental income	566,336	-	566,336	574,186	-	574,186
Total fees	4,816,338	-	4,816,338	4,615,645	-	4,615,645
Other Revenue -						
Interest and dividend income	-	60,645	60,645	-	57,762	57,762
Unrealized gain (loss) on investments	-	12,617	12,617	-	(21,480)	(21,480)
Realized gain on investments	-	85,715	85,715	-	38,592	38,592
Gain on sale of fixed assets	-	-	-	651,877	-	651,877
Miscellaneous	11,655	-	11,655	15,525	-	15,525
Release of restrictions	475,734	(475,734)	-	104,709	(104,709)	-
Total other revenue	487,389	(316,757)	170,632	772,111	(29,835)	742,276
Total support, fees and revenue	6,357,170	(291,757)	6,065,413	6,571,046	610,165	7,181,211

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
FUNCTIONAL EXPENSES:						
Program services	\$ 5,077,760	\$ -	\$ 5,077,760	\$ 5,151,777	\$ -	\$ 5,151,777
Administrative	1,070,055	-	1,070,055	1,110,973	-	1,110,973
Fundraising	319,274	-	319,274	275,072	-	275,072
Total functional expenses:	6,467,089	-	6,467,089	6,537,822	-	6,537,822
CHANGE IN NET ASSETS	(109,919)	(291,757)	(401,676)	33,224	610,165	643,389
NET ASSETS, Beginning of year	4,193,552	2,713,577	6,907,129	4,160,328	2,103,412	6,263,740
NET ASSETS, End of year	<u>\$ 4,083,633</u>	<u>\$ 2,421,820</u>	<u>\$ 6,505,453</u>	<u>\$ 4,193,552</u>	<u>\$ 2,713,577</u>	<u>\$ 6,907,129</u>

The accompanying notes are an integral part of this statement.



SHORE COMMUNITY SERVICES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (401,676)	\$ 643,389
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities -		
Depreciation expense	267,681	338,847
Unrealized (gain) loss on investments	(12,617)	21,480
Realized (gain) on investments	(85,715)	(38,592)
(Gain) on sale of fixed assets	-	(651,877)
Non-cash portion of lease expense for operating leases	115,451	39,607
Changes in assets and liabilities -		
(Increase) in program fees receivables	(59,111)	394,117
(Increase) in grants receivable	(75,630)	(23,725)
(Increase) in promise to give	98,205	(540,908)
(Increase) decrease in prepaid expenses	(10,441)	11,384
(Increase) in deposit	-	(30,000)
Increase (decrease) in accounts payable	1,523	(63,470)
(Decrease) in accrued expenses	(4,828)	(20,572)
(Decrease) in operating lease liabilities	(24,562)	(23,953)
(Decrease) in HUD grant advance	-	(21,804)
(Decrease) in tenant security deposits	-	(617)
Net cash provided by (used in) operating activities	<u>(191,720)</u>	<u>33,306</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(298,492)	(187,586)
Proceeds from sale of fixed assets	-	1,860,915
Purchases of investments	(600,288)	(675,345)
Proceeds from sales of investments	<u>915,377</u>	<u>632,292</u>
Net cash provided by investing activities	<u>16,597</u>	<u>1,630,276</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(167,254)	(1,034,706)
Net proceeds (payments) from line of credit	<u>150,000</u>	<u>(750,000)</u>
Net cash (used in) financing activities	<u>(17,254)</u>	<u>(1,784,706)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(192,377)	(121,124)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>874,883</u>	<u>996,007</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 682,506</u></u>	<u><u>\$ 874,883</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u><u>\$ 95,284</u></u>	<u><u>\$ 178,615</u></u>
Right of use assets acquired through lease liabilities:	<u><u>\$ -</u></u>	<u><u>\$ 652,522</u></u>

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services								Total Program Services	Administrative	Fundraising	Total Expenses
	Home Based Services	Lois Lloyd Center	Shore Training Center	Supported Living Arrangement	Shore Homes	CILA	DHS Training	Therapy Services				
FUNCTIONAL EXPENSES:												
Salaries and benefits	\$ 22,350	\$ 478,662	\$ 834,788	\$ 84,257	\$ 827,566	\$ 1,350,292	\$ 4,428	\$ -	\$ 3,602,343	\$ 667,965	\$ 229,886	\$ 4,500,194
Professional fees	-	14,553	24,643	30,660	217,915	32,015	-	124,285	444,071	94,395	39,743	578,209
Occupancy	67	79,319	132,569	58,216	150,843	40,851	-	-	461,865	53,772	1,120	516,757
Meetings	-	3,865	2,224	112	879	2,236	-	-	9,316	7,367	1,002	17,685
Repairs and maintenance	-	-	60	-	354	1,003	-	-	1,417	890	3,552	5,859
Transportation	-	32,901	51,517	1,956	9,407	17,265	-	-	113,046	506	383	113,935
Telephone	-	10,506	13,421	1,315	13,767	14,296	-	-	53,305	9,212	493	63,010
Supplies	-	8,389	13,309	874	73,890	18,777	-	-	115,239	13,544	323	129,106
Printing and copying	-	387	318	-	242	26	-	-	973	166	3,373	4,512
Dues and fees	740	3,321	6,535	227	1,506	7,330	68	-	19,727	12,573	104	32,404
Interest	-	-	-	-	4,033	-	-	-	4,033	95,363	-	99,396
Special events	-	-	-	-	-	-	-	-	-	-	58,355	58,355
Contingency	-	-	-	(7,148)	1,800	(1,541)	-	-	(6,889)	770	6,376	257
Other expenses	96	4,022	2,855	1,223	13,676	21,739	-	-	43,611	61,554	32,919	138,084
Depreciation	-	143,149	-	3,339	33,236	35,979	-	-	215,703	51,978	-	267,681
Total functional expenses	23,253	779,074	1,082,239	175,031	1,349,114	1,540,268	4,496	124,285	5,077,760	1,070,055	377,629	6,525,444
Less expenses included with revenues on statement of activities												
Special events	-	-	-	-	-	-	-	-	-	-	(58,355)	(58,355)
Total expenses included in the expense section of the statement of activities	\$ 23,253	\$ 779,074	\$ 1,082,239	\$ 175,031	\$ 1,349,114	\$ 1,540,268	\$ 4,496	\$ 124,285	\$ 5,077,760	\$ 1,070,055	\$ 319,274	\$ 6,467,089

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023

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

The accompanying notes are an integral part of this statement.

SHORE COMMUNITY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

(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 December 9, 2024 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, 2024, and 2023, net assets with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Regenstein Fund	\$ 1,946,820	\$ 2,163,577
Training Home Renovations	<u>475,000</u>	<u>550,000</u>
	<u>\$ 2,421,820</u>	<u>\$ 2,713,577</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. Receivables are carried at original invoice amount, less an estimate made for expected current credit losses. Receivables are measured at amortized cost. An allowance for credit losses that are expected to be incurred is recorded as of the date that a receivable is originated. The allowance reduces the carrying amount of the receivables to the net amount expected to be collected over the assets' contractual term. The determination of the allowance requires Shore to collectively evaluate receivables by classifying them into pools that share similar risk characteristics such as risk rating, type of receivable, size of the receivable, contractual term, industry type of the debtor, geographic location of the debtor, or date of origination while individually evaluating such assets, if any, that do not possess risk characteristics similar to those in the identified pools.

Management determines the allowance for credit losses based on:

- Available and relevant internal and/or external information about historical loss experience with similar assets;
- Current conditions;
- Reasonable and supportable forecasts that affect the expected collectability of the reported amount of financial assets that have an extended contractual term.

Shore considers a receivable to be past due when the normal invoice terms have been exceeded. Receivables are written off once they are deemed uncollectable. Write offs are recognized as a deduction from the allowance for credit losses. Amounts previously written off that are now expected to be recovered are included in the determination of the allowance for credit losses. All outstanding receivables as of June 30, 2024 have been collected subsequent to year end, and thus management has estimated that no allowance is necessary.

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

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, 2024, and 2023, was \$267,681 and \$338,847, 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.

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.

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

Revenue Recognition for Program Fees -

Shore receives program fees from the Illinois Department of Human Services (DHS), Illinois Department of Public Aid (Public Aid) Illinois Department of Rehabilitation Services (DRS), and Illinois Department of Health and Family Services (HFS) through fee for service arrangements. Shore bills for various services provided to DHS, Public Aid, DRS, and HFS 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 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.

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

Allocation of Expenses -

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

Leases -

Shore determines if an arrangement is a lease or contains a lease at inception of the contract. Shore's operating leases are presented in operating lease right-of-use assets, current portion of operating lease liabilities, and long-term portion of operating lease liabilities in the accompanying statement of financial position as of June 30, 2024 and 2023.

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

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

Leases - (Continued)

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

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

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

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 2021. Shore does not expect a material net change in unrecognized tax benefits in the next twelve months.

Adoption of New Accounting Principle with Respect to Credit Losses -

Effective July 1, 2023, Shore adopted a new accounting standard under US GAAP that replaced the incurred loss model for measuring the allowance for credit losses with a new model that reflects current expected credit losses (CECL) that are expected to occur over the lifetime of the underlying accounts and notes receivable. The CECL methodology is applicable to financial assets that Shore measures at amortized cost, including accounts and program services receivable, contract assets, and notes and loans receivable.

Shore adopted the changes in accounting for credit losses using a modified retrospective method. Upon implementation of the standard, there was no adjustment to beginning net assets.



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

Reclassifications -

Certain prior year amounts have been reclassified to conform to current year presentation.

(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.

(2) FAIR VALUE MEASUREMENTS: (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used on June 30, 2024, and 2023.

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

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

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

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

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities on an active or secondary market that the securities are traded in.

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, 2024, and 2023:

	Assets at Fair Value as of June 30, 2024			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 571,542	\$ -	\$ -	\$ 571,542
Common stock	1,019,192	-	-	1,019,192
Certificates of deposit	-	200,472	-	200,472
Total assets at fair value	\$ 1,590,734	\$ 200,472	\$ -	\$ 1,791,206
Money market funds				155,614
Total investments				\$ 1,946,820

(2) FAIR VALUE MEASUREMENTS: (Continued)

	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 461,841	\$ -	\$ -	\$ 461,841
Common stock	986,642	-	-	986,642
Corporate bonds	-	315,735	-	315,735
Certificates of deposit	-	292,815	-	292,815
Total assets at fair value	<u>\$ 1,448,483</u>	<u>\$ 608,550</u>	<u>\$ -</u>	<u>\$ 2,057,033</u>
Money market funds				<u>106,544</u>
Total investments				<u>\$ 2,163,577</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:

	2024	2023
Replacement reserve deposit	\$ 455,204	\$ 412,024
Insurance deposit	141,999	123,020
Residual receipts deposit	5,004	5,004
Tenant security deposits	<u>1,868</u>	<u>1,868</u>
	<u>\$ 604,075</u>	<u>\$ 541,916</u>

(4) UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at June 30, 2024 and 2023 are as follows:

	2024	2023
Receivable in less than on year	\$ 188,045	\$ 161,250
Receivable in greater than on year and less than five years	<u>300,000</u>	<u>425,000</u>
Total	<u>\$ 488,045</u>	<u>\$ 586,250</u>

(5) LEASES:

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

The components of lease expense for the years ending June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	<u>\$ 115,450</u>	<u>\$ 39,421</u>

Future minimum lease payments under noncancelable leases as of June 30, 2024, are as follows:

2025	\$ 44,561
2026	145,161
2027	146,733
2028	127,945
2029	131,783
Thereafter	<u>112,551</u>
Total future minimum lease payments	708,734
Less imputed interest included	<u>(84,995)</u>
Present value of net minimum lease payments	<u>\$ 623,739</u>

The following provides additional information related to the Shore's leases as of and for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Current portion of lease liabilities	\$ 29,027	\$ 22,633
Long-term portion of lease liabilities	<u>594,712</u>	<u>610,133</u>
Total lease liabilities	<u>\$ 623,739</u>	<u>\$ 632,766</u>
Weighted average lease term	4.63 years	6.08 years
Weighted average discount rate	3.60%	3.59%

Cash paid for amounts included in the measurements of the Shore's leases for the years ended June 30, 2024 and 2023, are as follows:

Operating cash from operating leases	<u>\$ 24,561</u>	<u>\$ 24,252</u>
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(6) LINE OF CREDIT:

Shore has a line of credit from a bank with a limit of the lesser of \$1,500,000 or 80% of the aggregate amount of the Regenstein Fund. The line bears interest at prime minus .50%, (8.00% on June 30, 2024). The line is secured by the Regenstein Fund and a blanket lien on all business assets and is due in February 2025. On June 30, 2024, and 2023, the outstanding balance of the line of credit was \$680,000 and \$530,000, respectively. Shore must maintain a debt service coverage ratio of at least 1:00 to 1:00. Shore was not in compliance with the debt service coverage ratio at June 30, 2024. Shore received a waiver of its covenant for the year ended June 30, 2024.

(7) NOTES PAYABLE:

	<u>2024</u>	<u>2023</u>
Payable to HUD in monthly installments of \$9,110 principal and interest, bearing interest of 9.25%, secured by a building. The note was paid off during 2024.	\$ -	\$ 95,731
Payable to a bank in monthly installments of \$9,221 principal and interest, bearing interest of 4.25%, a balloon payment due in November 2025 and secured by a building.	933,242	1,001,821
Payable to HUD in monthly installments of \$451, noninterest bearing, due in January 2024 and unsecured.	<u>-</u>	<u>2,944</u>
	933,242	1,100,496
Less - Current maturities	<u>84,108</u>	<u>179,811</u>
Long-term maturities	<u>\$ 849,134</u>	<u>\$ 920,685</u>

Future maturities are summarized as follows:

Year ending <u>June 30,</u>	
2025	\$ 84,108
2026	<u>849,134</u>
	<u>\$ 933,242</u>

(8) PENSION AND PROFIT-SHARING PLAN:

Shore has adopted a defined contribution, noncontributory profit-sharing plan covering substantially all employees. Shore funds all costs accrued. Shore did not make any retirement contributions for the years ended June 30, 2024, and 2023.

(9) CONCENTRATIONS:

Shore has received significant program fees from the Illinois Department of Human Services in the years ended June 30, 2024, and 2023. In the years ended June 30, 2024, and 2023, the Illinois Department of Human Services provided 60% and 48% of Shore's total support, fees, and revenue, respectively.

(10) FEDERAL AND STATE GRANTS:

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

(11) LIQUIDITY AND AVAILABILITY:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 682,506	\$ 874,883
Investments	1,946,820	2,163,577
Receivables	562,522	427,781
Promises to give, current	<u>188,045</u>	<u>161,250</u>
Total financial assets	<u>3,379,893</u>	<u>3,627,491</u>
Less:		
Restricted for HUD-related deposits	604,075	541,916
Donor imposed restrictions	<u>2,121,820</u>	<u>2,288,577</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>\$ 653,998</u>	<u>\$ 796,998</u>

(11) LIQUIDITY AND AVAILABILITY: (Continued)

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 2025 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) SUBSEQUENT EVENTS:

Subsequent to year end, Shore entered into a construction contract with a general contractor to complete renovations at its training center. The contract is for approximately \$400,000.

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, 2024, 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 December 9, 2024.

***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 the 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 have not been 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 or significant deficiencies may exist that have not been identified.



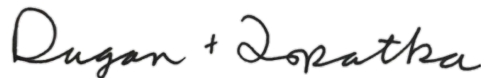
Independent Auditor's Report on  
Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an  
Audit of Financial Statements  
Performed in Accordance with  
*Government Auditing Standards*  
To the Board of Directors of  
Shore Community Services, Inc.  
Page two

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Shore Community Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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



DUGAN & LOPATKA

Warrenville, Illinois  
December 9, 2024