

LAKESHORE FOUNDATION AND AFFILIATE

**Consolidated Financial Statements and
Supplementary Information**

**For the Years Ended
September 30, 2021 and 2020**

LAKESHORE FOUNDATION AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lakeshore Foundation and Affiliate

Report on the Financial Statements

We have audited the accompanying financial statements of Lakeshore Foundation and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statement of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lakeshore Foundation and Affiliate as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022, on our consideration of Lakeshore Foundation and Affiliate's internal control over financial reporting and on our tests of 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Lakeshore Foundation and Affiliate's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Lakeshore Foundation and Affiliate's 2020 consolidated financial statements, and our report dated January 11, 2021 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Borland Benefield, P.C.
Birmingham, Alabama
January 10, 2022

LAKESHORE FOUNDATION AND AFFILIATE

**Consolidated Statement of Financial Position
For the Years Ended September 30, 2021 and 2020**

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,248,538	\$ 2,590,606
Short-term investments	918,370	996,374
Pledges receivable - net of allowance for uncollectible pledges of \$0 and \$1,000 in 2021 and 2020	291,106	305,565
Accounts receivable	365,786	578,094
Interest receivable	59,738	69,742
Retirement plan assets	276,889	197,591
Prepaid expenses and other	68,395	53,704
Total Current Assets	4,228,822	4,791,676
Long-Term Assets		
Investments	84,849,403	74,363,522
Restricted cash	299,942	311,884
Pledges receivable - net of allowance for uncollectible pledges of \$25,000 in 2021 and 2020	321,526	610,591
Property, plant and equipment, net	36,449,371	37,870,636
Initial cost of lease - net of accumulated amortization of \$12,933 in 2021 and \$11,150 in 2020	22,743	24,528
Right-of-use assets - net of accumulated amortization of \$52,816 in 2021 and \$26,993 in 2020	72,470	37,791
Total Long-Term Assets	122,015,455	113,218,952
Total Assets	\$ 126,244,277	\$ 118,010,628
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	\$ 352,329	\$ 275,099
Other accrued liabilities	1,188,156	1,118,514
Accrued interest	118,897	131,419
Deferred revenue	177,327	49,345
Current portion of long-term debt	1,750,779	1,699,249
Total Current Liabilities	3,587,488	3,273,626
Long-term debt, less current maturities	11,442,521	13,129,790
Total Liabilities	15,030,009	16,403,416
Net Assets		
Without donor restrictions	110,282,407	100,371,758
With donor restrictions	931,861	1,235,454
Total Net Assets	111,214,268	101,607,212
Total Liabilities and Net Assets	\$ 126,244,277	\$ 118,010,628

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Statement of Activities and Change in Net Assets
 For the Year Ended September 30, 2021
 With Summarized Financial Information
 For the Year Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2020</u>
Public Support and Revenues				
Contributions, grants and sponsorships	\$ 3,173,679	\$ 232,779	\$ 3,406,458	\$ 5,222,547
Fundraising events	139,956	-	139,956	14,925
Memberships	403,402	-	403,402	534,321
Fees and contracts	82,096	-	82,096	61,184
Rental income	4,430,507	-	4,430,507	4,302,161
Investment income, net	417,791	-	417,791	494,125
Unrealized (loss) gain on investments	(5,768,559)	-	(5,768,559)	2,501,294
Realized gain on sale of investments	18,432,020	-	18,432,020	2,112,371
Interest income	3,876	-	3,876	21,252
Other	6,707	-	6,707	37,612
Net assets released from restrictions	<u>536,372</u>	<u>(536,372)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenues	<u>21,857,847</u>	<u>(303,593)</u>	<u>21,554,254</u>	<u>15,301,792</u>
Expenses				
Program activities	5,878,515	-	5,878,515	6,049,919
Research	2,556,303	-	2,556,303	2,457,254
Policy and advocacy	530,008	-	530,008	499,453
Communications	509,410	-	509,410	506,176
Fundraising/development	542,821	-	542,821	432,908
General and administrative	1,595,785	-	1,595,785	1,493,343
Rental	<u>334,356</u>	<u>-</u>	<u>334,356</u>	<u>321,165</u>
Total Expenses	<u>11,947,198</u>	<u>-</u>	<u>11,947,198</u>	<u>11,760,218</u>
Change in Net Assets	9,910,649	(303,593)	9,607,056	3,541,574
Net Assets, Beginning of Year	<u>100,371,758</u>	<u>1,235,454</u>	<u>101,607,212</u>	<u>98,065,638</u>
Net Assets, End of Year	<u>\$ 110,282,407</u>	<u>\$ 931,861</u>	<u>\$ 111,214,268</u>	<u>\$ 101,607,212</u>

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

**Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2021
With Summarized Financial Information
For the Year Ended September 30, 2020**

Expenses	Program Activities	Research	Advocacy & Policy	Fundraising Development	Communications	Management & General	Rental	Total	2020
Salaries	\$ 2,288,894	\$ 1,587,133	\$ 259,369	\$ 334,448	\$ 332,719	\$ 1,036,827	\$ -	\$ 5,839,390	\$ 5,899,290
Benefits	503,800	339,980	56,984	74,695	74,607	222,424	-	1,272,491	1,253,129
Supplies and general expenses	43,893	3,800	23,219	744	1,105	13,882	-	86,643	76,349
Printing, postage and copy expenses	11,094	5,295	515	6,547	409	9,091	-	32,951	45,833
Payroll, bank fees and background checks	299	-	-	2,335	-	40,701	-	43,334	63,577
Business meals and travel	193,696	8,475	8,456	6,911	746	17,928	-	236,212	237,175
Dues, conferences and meetings	13,118	10,028	10,196	20,719	3,928	5,922	-	63,912	63,253
Legal and accounting	-	-	-	-	-	86,186	-	86,186	75,345
Strategic plan consulting fees	-	-	-	-	-	-	-	-	28,875
Purchased services	39,590	153,548	49,538	25,835	25,231	98,147	-	391,889	267,841
Advertising, publications and public awareness	9,905	27,398	7,732	4,441	37,417	-	-	86,892	55,272
Equipment	117,416	82,675	684	9,632	1,236	2,344	-	213,987	137,540
Telephone, internet and cable	61,277	10,304	2,722	887	473	778	3,504	79,945	74,941
Information technology	44,500	48,077	3,231	20,649	12,900	30,748	-	160,104	170,537
Landscaping	139,908	16,044	6,233	2,031	1,082	1,781	-	167,079	147,110
Laundry	3,430	393	153	50	27	44	-	4,097	39,380
Utilities	413,105	47,373	18,405	5,996	3,195	5,260	106,000	599,334	717,328
Interest and bond admin expense	288,278	33,058	12,844	4,185	2,230	3,669	-	344,264	386,749
Depreciation and amortization	1,316,595	150,981	58,658	19,111	10,184	16,766	95,857	1,668,152	1,505,611
Insurance	179,276	20,559	7,987	2,602	1,387	2,283	68,405	282,499	240,133
Repairs and maintenance, rental, pest control	210,441	11,183	3,081	1,004	534	1,003	60,589	287,835	274,950
Total Expenses	\$ 5,878,515	\$ 2,556,303	\$ 530,008	\$ 542,821	\$ 509,410	\$ 1,595,785	\$ 334,356	\$11,947,198	\$11,760,218

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

**Consolidated Statement of Cash Flows
For the Years Ended September 30, 2021 and 2020**

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 9,607,056	\$ 3,541,574
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Net amortization of debt issue costs and bond premiums and discount	17,657	17,657
Depreciation	1,650,867	1,487,954
Unrealized loss (gain) on investments	5,768,559	(2,501,294)
Realized gain on sale of investments	(18,432,020)	(2,112,371)
Gain on sale of property and equipment	(375)	-
Permanently restricted contributions received	(520)	-
Restricted contributions for capital, net	(396,237)	(1,261,431)
Change in operating assets and liabilities:		
Pledges receivable, net	(32,125)	7,010
Accounts receivable	212,308	(149,930)
Interest receivable	10,004	1,854
Prepaid expenses and other	(14,691)	7,730
Accounts payable	77,231	(457,008)
Other accrued liabilities	69,643	261,936
Deferred revenue	127,982	(92,980)
Accrued interest payable	(12,522)	34,954
Net Cash (Used) by Operating Activities	(1,347,183)	(1,214,345)
 Cash Flows from Investing Activities		
Purchase of investments	(96,900,095)	(26,843,100)
Proceeds from sale of investments	98,998,377	30,216,515
Net change in short-term investments	78,004	1,101,572
Net change in restricted cash	11,942	1,986,227
Purchases of property and equipment	(264,281)	(4,484,482)
Proceeds from sale of property and equipment	375	-
Net Cash Provided by Investing Activities	\$ 1,924,322	\$ 1,976,732

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

**Consolidated Statement of Cash Flows (continued)
For the Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Financing Activities		
Repayment of principal amounts	\$ (1,686,288)	\$ (1,013,402)
Capital lease proceeds (payments)	34,677	(11,967)
Restricted capital campaign, net proceeds	<u>732,404</u>	<u>1,679,230</u>
Net Cash Provided (Used) by Financing Activities	<u>(919,207)</u>	<u>653,861</u>
Net Change in Cash and Cash Equivalents	(342,068)	1,416,248
Cash and Cash Equivalents, Beginning of Year	<u>2,590,606</u>	<u>1,174,358</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,248,538</u>	<u>\$ 2,590,606</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 356,786</u>	<u>\$ 351,794</u>
Construction in progress included in accounts payable	<u>\$ -</u>	<u>\$ 7,652</u>

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies

Nature of Operations – The consolidated financial statements of Lakeshore Foundation (the Foundation) include the accounts of Lakeshore Foundation and its affiliate, Lakeshore Support Organization.

Lakeshore Foundation is a nonprofit corporation organized to provide a comprehensive range of services and activities that benefit people with physically disabling and chronic health conditions and promote disability prevention programs. Lakeshore Foundation owns rehabilitation health care facilities in Jefferson County, Alabama. Lakeshore Foundation raises, manages, and expends funds for these purposes. Lakeshore Support Organization holds and manages certain investments.

Basis of Financial Statement Preparation – The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Consolidated Financial Statements – The consolidated financial statements include the accounts of the Lakeshore Foundation and the Lakeshore Support Organization, a related tax - exempt entity. The organizations share common goals and Lakeshore Foundation's Board of Directors elects the Board of Directors for the Lakeshore Support Organization. All significant intercompany account balances and transactions have been eliminated upon consolidation.

Cash and Cash Equivalents – The Foundation considers certain highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains deposits and investments with various financial institutions that may, at times, exceed federally insured limits. However, the Foundation has not experienced any losses on such amounts, nor does management believe these amounts are exposed to any significant risks.

Contributions – The Foundation reports gifts of cash and other assets, including unconditional promises to give, as restricted support if they are received with donor stipulations that limit the use of the donated assets, unless the restrictions are met in the same reporting 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 released and reclassified to net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets designated by the donor for the acquisition of long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Qualifying contributed services are recorded at their fair value in the period received.

Unrealized and realized gains and losses and dividends and interest from investing in income-producing assets may be included in either of these net assets' classifications depending on donor restrictions.

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Pledges Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows and reflected as donor restricted net assets due to inherent time restriction. Estimated future cash flows to be received after one year are discounted using a discount rate of 3.5 percent. Amortization of the discounts is included in contribution revenue.

Accounts are classified as past due based on contractual terms and invoice dates. Allowances are established on pledges estimated to be uncollectible. Accounts are written off after all efforts of collection have been exhausted.

Short-term Investments – Short-term investments consist primarily of investments in commingled fund cash equivalents and mutual funds and are reported at fair value.

Investments – Investments in equity securities with readily determinable fair values and investments in debt securities are measured at fair value. Investment income or loss (interest and dividends), realized gains and losses, and unrealized gains and losses on investments are included in the change in net assets unless the income or loss is restricted by donor or law. Investments in hedge funds and alternative investments are reported at fair value, or net asset value. Investments are not actively traded, and management intends to hold investments. As a result, investments are reported as long-term in the Consolidated Statements of Financial Position. For investments where quoted market prices are not available, the investment is reported at net asset value (Note 4). Management reviews investments for other than temporary impairments on an annual basis and records any impairment as a transfer from unrealized to realized loss on investments. Long-term investments also include certain investments in hedge funds which are recorded at the estimated underlying net asset valuation for the fund for the units held.

Property, Plant and Equipment – Property, plant and equipment are recorded at cost if purchased or at fair market value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Estimated useful lives of property, plant and equipment are as follows:

Land improvements	15-25 years
Major moveable equipment	3-20 years
Buildings and improvements	5-40 years
Fixed equipment	10-15 years

Upon sale, retirement or other disposition of these assets, the cost and related accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is recognized currently.

Impairment of Long-lived Assets – The Foundation recognizes the impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. There was no impairment loss recorded for the year ended September 30, 2021.

Borrowing Costs – Debt issue costs are capitalized and amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest rate method.

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Net Assets – The Foundation presents its activities and net assets in two classes as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions generally result from revenues derived from providing services and receiving unrestricted contributions, less expenses incurred in providing services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions – Net assets with donor restrictions generally result from contributions and other receipts that are subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Revenue Recognition – Public support is recognized by the Foundation as revenue without donor restrictions or revenue with donor restrictions when pledges are received based on any stipulations by the donors. Donated assets are recorded at estimated fair value on the date received. Rental income and revenues associated with programs and memberships are recognized when earned.

Allocation of Expenses – The Foundation allocates certain expenses, including insurance, interest expense, facility operations, information and technology and depreciation and amortization, to general and administrative, fundraising/development, communications, and programs based on the square footage used by each respective department.

Tax Status – Lakeshore Foundation and the Lakeshore Support Organization are nonprofit organizations exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC).

The Lakeshore Foundation and the Lakeshore Support Organization have determined that they do not have any tax positions at September 30, 2021 that they would be unable to substantiate. Tax returns for the Lakeshore Foundation and the Lakeshore Support Organization for the fiscal year 2017 and subsequent remain subject to examination.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Risk and Uncertainties – Investments are exposed to various risks; such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value in investment securities will occur in the near term, which could materially affect the Foundation's net assets.

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Fair Value Measurements - Fair value for financial reporting purposes is the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction between market participants at the measurement date (reporting date). Fair value is based on an exit price in the principal market or most advantageous market in which the reporting entity could transact. For each asset or liability required to be reported at fair value, management has identified the unit of account and valuation premise to be applied for purposes of measuring fair value. The unit of account is the level at which an asset or liability is aggregated or disaggregated. The valuation premise is a concept that determines whether an asset is measured on a stand-alone basis or in combination with other assets. The Foundation measures its assets and liabilities on a stand-alone basis, then aggregates assets and liabilities with similar characteristics for disclosure purposes.

The hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on observable inputs, including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatilities, and default rates, and inputs that are derived principally from or corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

If the determination of fair value measurement for a particular asset or liability is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability measured.

The following is a description of the valuation methodologies used for assets measured at fair value at September 30, 2021 and 2020.

The fair value of investments is based on quoted market prices in an active market for identical assets and liabilities or other observable inputs as of the reporting date. The fair value of U.S. Government agencies, mortgages and leases, mutual funds, and some corporate obligations are categorized within Level 2 of the fair value hierarchy.

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (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 management 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.

Some of the Foundation's financial instruments are not measured at fair value on a recurring basis. However, these instruments are carried at amounts that approximate fair value due to their liquid, or short-term, nature. Such financial assets and financial liabilities include pledges receivable, accounts receivable, interest receivable, accounts payable, and accrued interest. Long-term debt is recorded at cost, which approximates fair value as disclosed in Note 5.

Reclassifications – Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Adoption of New Accounting Principle - In February 2016, the Financial Accounting Standards Board ("FASB" or "the Board") issued a new leasing standard in ASU 2016-02 ("Topic 842" or "the new standard") for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use ("ROU") assets and related lease liabilities on the balance sheet for all arrangements with terms longer than 12 months. The pattern of expense recognition in the income statement will depend on a lease's classification. The provision of this update is effective for fiscal years beginning after December 15, 2022. Management elected to proceed with early implementation of the ASU in the current fiscal year. The total amount of the ROU net of accumulated amortization as of September 30, 2021 totaled \$47,637.

Note 2 – Pledges Receivable

Pledges receivable at September 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give	\$ 653,052	\$ 977,903
Less: allowance for uncollectible accounts	25,000	26,000
Less: adjustment for net present value	<u>15,420</u>	<u>35,747</u>
Net unconditional promises to give	<u>\$ 612,632</u>	<u>\$ 916,156</u>

The expected collection of pledges receivable at September 30, 2021, is as follows:

Less than one year	\$ 291,106
One to five years	<u>361,946</u>
Total unconditional promises to give	<u>\$ 653,052</u>

At September 30, 2021 the Foundation has a conditional pledge of \$100,000 contingent on Lakeshore's continued worthiness and the donor's ability to pay within its philanthropy guidelines. The original amount was \$400,000 and \$300,000 of which was paid during fiscal years 2019 through 2021 in equal installments. This is not reflected in the above balance.

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

**Notes to the Consolidated Financial Statements (continued)
For the Years Ended September 30, 2021 and 2020**

Note 3 – Property, Plant and Equipment

Property, plant and equipment at September 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 211,176	\$ 211,176
Land improvements	7,997,596	7,948,495
Major moveable equipment	2,318,853	2,189,977
Buildings and improvements	53,583,900	53,555,955
Fixed equipment	6,766,938	6,743,438
Construction in progress	-	89,849
Total property and equipment	<u>70,878,463</u>	<u>70,738,890</u>
Less: Accumulated depreciation	<u>34,429,092</u>	<u>32,868,254</u>
 Total Property and Equipment, Net	 <u>\$ 36,449,371</u>	 <u>\$ 37,870,636</u>

Note 4 – Investments

Short-term and long-term investments at September 30 consisted of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost or Amortized Cost</u>	<u>Carrying Value</u>	<u>Cost or Amortized Cost</u>	<u>Carrying Value</u>
Short term money market funds	\$ 918,370	\$ 918,370	\$ 996,374	\$ 996,374
Long-term investments:				
U.S. Government and agency securities	5,510,745	5,684,942	4,991,294	5,412,439
Corporate obligations	6,334,704	6,648,638	6,104,557	6,570,442
Fixed income mutual funds	1,583,061	1,762,946	2,556,854	2,660,367
Balanced mutual funds	1,575,592	1,645,067	350,592	329,862
Equity mutual funds	2,650,000	2,618,603	-	-
Real asset mutual funds	904,190	888,203	-	-
Private investment funds:				
Private equity funds	44,801,959	49,332,482	27,359,144	38,354,766
Fixed income funds	585,142	697,369	2,253,304	2,670,239
Hedge funds	2,812,949	3,688,501	5,632,153	6,085,050
Alternative funds	<u>7,389,028</u>	<u>11,882,652</u>	<u>8,645,033</u>	<u>12,280,357</u>
Total Long-term investments	<u>74,147,370</u>	<u>84,849,403</u>	<u>57,892,931</u>	<u>74,363,522</u>
 Total Investments	 <u>\$ 75,065,740</u>	 <u>\$ 85,767,773</u>	 <u>\$ 58,889,305</u>	 <u>\$ 75,359,896</u>

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 4 – Investments (continued)

The Foundation holds alternative investments reported above consisting of seven hedge/pooled funds at September 30, 2021 and eight at September 30, 2020, which are limited partnerships, commingled funds, or similar arrangements. The hedge/pooled fund investments are mainly fund-of-funds investments and accordingly due to the structure, flexibility and lower level of regulatory oversight may create additional exposure to investment risk.

The fund managers hold these rated or unrated investments, which consist of long/short equity hedge funds (domestic and international), distressed/credit, or other investment opportunities.

As of September 30, 2021, one of these funds had been fully dissolved, and most of the proceeds were reinvested in balanced mutual funds. The remaining investments were recorded at net asset value totaling \$15,571,153 with a net unrealized gain of \$5,369,176.

Two investments included in the alternative funds category have multi-year lock-up periods and cannot be redeemed before the manager dissolves the fund. The other investments included in this category have redemption notice periods that range from quarterly to semi-annually. The fair values of these investments have been estimated using the net asset value per share of the investment. Unfunded commitments as of September 30, 2021 and September 30, 2020 totaled \$708,895 and \$780,918, respectively.

Note 5 – Long-term Debt

The Foundation issued its \$5,867,500 Lease Revenue Bond (Series 2013 Bond) in November 2013, through the Medical Clinic Board of the City of Homewood (Board). The Series 2013 Bond was issued to refinance the Board's Series 2005 Lease Revenue Bonds issued for the benefit of the Foundation and has been designated a qualified tax-exempt obligation under Section 265(b)(3) of the IRC. Principal and interest on the Series 2013 Bond are payable monthly beginning on December 1, 2013. All outstanding principal and interest amounts are required to be paid in full on or before November 1, 2024.

In December 2017, the Foundation issued a \$3,305,000 Lease Revenue Bond (Series 2017-A Bond), through the Board to refund the Board's Series 2009 Lease Revenue Bonds issued for the benefit of the Foundation. Principal of the Series 2017-A Bond is payable annually beginning on November 1, 2018, and interest is payable semi-annually beginning May 1, 2018. All outstanding principal and interest amounts are required to be paid in full on or before November 1, 2024.

In December 2017, the Foundation issued a Lease Revenue Bond (Series 2017-B Bond) in an aggregate principal amount not to exceed \$10,000,000 through the Board to finance the costs of constructing and equipping additional facilities located on the Foundation's campus. During the interest-only construction advance period for the Series 2017-B Bond which ended June 24, 2019, interest was paid monthly at a variable rate. The Series 2017-B Bond converted to a fixed interest rate on July 1, 2019. Principal of the Series 2017-B Bond is payable annually beginning November 1, 2019; interest is payable semi-annually beginning November 1, 2019. The Series 2017-B Bond may be prepaid with proceeds from capital campaign funds with a 1% premium payable to the lender. After year seven, prepayment of outstanding principal may be made without penalty or premium. All outstanding principal and interest amounts are required to be paid in full on or before November 1, 2033. The Foundation must maintain total unrestricted investments of no less than 1.5 times the outstanding aggregate principal amount of funded debt.

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 5 – Long-term Debt (continued)

In September 2018, Lakeshore entered into a capital lease for equipment payable at \$1,314 per month for 60 months. In November 2020, Lakeshore entered into an operating lease for office equipment payable at \$1,387 per month for 48 months. The lease was capitalized as per the new leasing standard in ASU 2016-02 (“Topic 842” or the new standard) which Lakeshore adopted in fiscal year 2021. The leases are presented as “Right-of-Use Assets” on the asset side of the Consolidated Statement of Financial Position while the related liabilities are reflected in the current and long-term liabilities.

Long-term debt at September 30 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Capital lease through the Medical Clinic Board of the City of Homewood - Lease Revenue Bonds, Series 2013, with interest at 2.65%, payments due annually through 2024	\$ 1,870,629	\$ 2,428,914
Capital lease through the Medical Clinic Board of the City of Homewood - Lease Revenue Bonds, Series 2017-A, with interest at 2.33%, payments due annually through 2024	1,994,500	2,464,000
Capital lease through the Medical Clinic Board of the City of Homewood - Lease Revenue Bonds, Series 2017-B, with interest at 1.77% to 2.15%, payments beginning November 2019 due annually through 2033	9,332,898	9,991,400
Right-of-use-assets	<u>75,561</u>	<u>40,885</u>
Total Debt	13,273,588	14,925,199
Unamortized debt issuance costs	<u>(80,288)</u>	<u>(96,160)</u>
Total Debt, net	13,193,300	14,829,039
Less: Current portion	<u>1,750,779</u>	<u>1,699,249</u>
Total Long-Term Debt, net	<u>\$ 11,442,521</u>	<u>\$ 13,129,790</u>

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 5 – Long-term Debt (continued)

Future principal maturities of long term debt at September 30, 2021, and for the next 5 years and thereafter are as follows:

2022	\$ 1,750,779
2023	1,786,123
2024	1,807,252
2025	1,312,316
2026	699,893
Thereafter	<u>5,917,225</u>
Total Debt	<u>\$ 13,273,588</u>

The fair market value of bonds payable, which is estimated using current trade rates, was approximately \$11,442,521 and \$13,129,790 at September 30, 2021 and 2020, respectively.

Interest cost expensed for the years ended September 30, 2021 and 2020, was \$344,264 and \$386,749, respectively.

Note 6 – Rentals Under Operating Leases

The Foundation has entered into various rentals under operating leases as follows:

The Foundation leases approximately 138,000 square feet of buildings and equipment to a subsidiary of Encompass Health Corporation under a noncancelable operating lease that expires on September 30, 2034. The lessee has four options to renew the lease term for five additional years each.

The Foundation leases 17,690 square feet of office and lab space located in the UAB Lakeshore Research Facility to the University of Alabama at Birmingham under a noncancelable operating lease that expires July 31, 2028. The lessee has two options to renew the lease term for five additional years each.

The Foundation leases 7,298 square feet of office and clinical space located in the Magnolia Building to Children's of Alabama under a noncancelable operating lease that expires on January 31, 2023. The lessee has the option to renew the lease term for an additional five years.

The Foundation leases tennis facilities to an individual under a non-cancelable lease that expires on September 30, 2023.

The Foundation leases approximately 5,200 square feet on the first floor of the 3830 building to Samford University as a storage facility under a two-year noncancellable lease that expires on December 31, 2022. The lessee has the option to renew the lease for a length of time to be agreed upon by both parties.

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See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 6 – Rentals Under Operating Leases (continued)

The following is a schedule by year of minimum future rentals on non-cancelable operating leases as of September 30, 2021:

2022	\$ 4,514,305
2023	4,454,203
2024	4,434,637
2025	4,524,716
2026	4,599,349
Thereafter	<u>36,816,568</u>

Total future minimum rentals: \$ 59,343,778

The following schedule provides a summary of the Foundation's investment in property under operating leases by major classes as of September 30:

	<u>2021</u>	<u>2020</u>
Land improvements	\$ 1,008,460	\$ 998,892
Major moveable equipment	272,866	272,866
Buildings and improvements	13,337,092	13,337,092
Fixed equipment	<u>6,195,285</u>	<u>6,195,285</u>
Total property and equipment	20,813,703	20,804,135
Less: Accumulated depreciation	<u>17,002,730</u>	<u>16,864,328</u>
Total Property and Equipment, Net	<u>\$ 3,810,973</u>	<u>\$ 3,939,807</u>

Note 7 – Net Assets With Donor Restrictions

Net assets with donor restrictions consisting of cash and pledges receivable are available for the following purposes at September 30:

	<u>2021</u>	<u>2020</u>
Purpose restrictions:		
Capital projects	\$ 613,778	\$ 970,903
Fund programs for the disabled	193,710	140,718
Scholarships for members	<u>124,373</u>	<u>123,833</u>
Total Net Assets With Donor Restrictions	<u>\$ 931,861</u>	<u>\$ 1,235,454</u>

The above restricted net assets include \$612,632 of net pledges receivable also restricted for time as of September 30, 2021 and \$916,156 at September 30, 2020.

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 8 – Fair Value Measurements

The Foundation records certain assets and liabilities at fair value based upon a fair value hierarchy. See Note 1 for a discussion of the Foundation's policies regarding this hierarchy. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash Equivalents and Short-Term Investments - For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Investments - Fair values are based on quoted market prices or dealer quotes.

The following fair value hierarchy table presents information about the Foundation's assets measured or disclosed at fair value on a recurring basis as of September 30, 2021:

<u>Assets</u>	<u>Fair Value</u>	Fair Value Measurement at Report Date Using		
		<u>Quoted Prices in Active Markets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Investments:				
U.S. Government agencies	\$ 2,842,375	\$ -	\$ 2,842,375	\$ -
Mortgages and leases	2,842,567	-	2,842,567	-
Corporate obligations	6,648,638	-	6,648,638	-
Balanced mutual funds	1,645,067	1,645,067	-	-
Fixed income - mutual funds	1,762,946	1,762,946	-	-
Equity mutual funds	2,618,603	2,618,603	-	-
Real asset mutual funds	888,203	888,203	-	-
Short-term investments	<u>918,370</u>	<u>918,370</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>20,166,769</u>	<u>7,833,189</u>	<u>12,333,580</u>	<u>-</u>
Investments at net asset value				
Private investment funds	<u>65,601,004</u>			
Total Investments at estimated Fair Value	<u>\$ 85,767,773</u>			

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See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 8 – Fair Value Measurements (continued)

The following fair value hierarchy table presents information about the Foundation's assets measured or disclosed at fair value on a recurring basis as of September 30, 2020:

<u>Assets</u>	<u>Fair Value</u>	Fair Value Measurement at Report Date Using		
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments:				
U.S. Government agencies	\$ 2,160,378	\$ -	\$ 2,160,378	\$ -
Mortgages and leases	3,252,061	-	3,252,061	-
Corporate obligations	6,570,442	-	6,570,442	-
Balanced mutual funds	329,862	329,862	-	-
Fixed income - mutual funds	2,660,367	2,654,207	6,160	-
Short-term investments	<u>996,374</u>	<u>996,374</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>15,969,484</u>	<u>3,980,443</u>	<u>11,989,041</u>	<u>-</u>
Investments at net asset value				
Private investment funds	<u>59,390,412</u>			
Total Investments at estimated Fair Value	<u>\$ 75,359,896</u>			

Note 9 – Related Party Transactions

The Foundation owns the hospital building and leases it to a subsidiary of Encompass Health. The Vice President, Marketing Services of Encompass Health is a member of the Foundation's Board of Directors. The total amount of lease payments received from Encompass Health in 2021 was \$3,716,336.

The Foundation leases the Magnolia Building to Children's of Alabama. The Chief Executive Officer of Children's of Alabama is a member of the Foundation's Board of Directors. The total amount of lease payments received from Children's of Alabama during fiscal year 2021 was \$171,552.

The Foundation paid legal fees to a law firm where partners are also members of the Foundation's Board of Directors. The total amount of the legal fees paid to the law firm during fiscal year 2021 totaled \$41,357 (\$3,297 for bond counsel and \$38,060 for general services).

The Foundation leases the UAB/Lakeshore Research Facility building to the Board of Trustees of the University of Alabama on behalf of the University of Alabama at Birmingham (UAB). The building is leased through the School of Health Professions and the Dean of the School is a member of the Foundation's Board of Directors. The total amount of lease payments received from UAB during fiscal year 2021 was \$417,101. The Foundation also has a Master Research Collaboration Agreement with UAB and receives Federal grant awards as a subrecipient. The total amount of payments received during fiscal year 2021 from these grants was \$2,104,546.

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Consolidated Financial Statements (continued) For the Years Ended September 30, 2021 and 2020

Note 9 – Related Party Transactions (continued)

The Foundation also has transactions with utility, media, website design and health insurance companies which occur in the normal course of business. Executives from these companies serve as members of the Foundation's Board of Directors.

Note 10 – Liquidity and Availability of Funds

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the date of the consolidated statements of financial position, comprise the following:

Cash and cash equivalents	\$ 2,248,538
Pledges receivable for operations	38,050
Accounts receivable	365,786
Investments available for operations	<u>4,548,107</u>
Total financial assets available for general expenditures within one year	<u>\$ 7,200,481</u>

Investments available for operations of \$4,548,107 consists of funds held in investments that the Finance Committee and Board of Directors of Lakeshore Foundation have approved for general spending for the September 30, 2022 fiscal year.

Note 11 – Subsequent Events

The Foundation has evaluated subsequent events through January 10, 2022, the date the consolidated financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Lakeshore Foundation and Affiliate

Report on Compliance for Each Major Federal Program

We have audited Lakeshore Foundation and Affiliate's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Lakeshore Foundation and Affiliate's major federal programs for the year ended September 30, 2021. Lakeshore Foundation and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lakeshore Foundation and Affiliate's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lakeshore Foundation and Affiliate's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lakeshore Foundation and Affiliate's compliance.

Opinion on Each Major Federal Program

In our opinion, Lakeshore Foundation and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of Lakeshore Foundation and Affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lakeshore Foundation and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lakeshore Foundation and Affiliate's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Borland Benefield, P.C.
Birmingham, AL
January 10, 2022

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Lakeshore Foundation and Affiliate

We have audited, in accordance with the 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 Lakeshore Foundation and Affiliate (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakeshore Foundation and Affiliate's internal control over financial reporting (internal control) as a basis for designing 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 Lakeshore Foundation and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakeshore Foundation and Affiliate's financial statements are free from 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 statements. 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Borland Benefield,
P.C. Birmingham, AL
January 10, 2022

LAKESHORE FOUNDATION AND AFFILIATE

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Title</u>	<u>Assistance Listing Number (ALN)</u>	<u>Pass-Through/ Local Grantor Number</u>	<u>Total Expended</u>
U.S. Department of Health & Human Services			
University of Alabama at Birmingham			
National Institute on Disability and Rehabilitation Research	84.133A	164965	\$ 1,317,428
Child Health & Human Development Extramural Research	93.865	164965	67,391
Disability and Rehabilitation Research Program	93.433	164965	484,615
Artificial Intelligence Assisted Inclusive Diabetes Telecoaching Self- Management Program	93.433	164965	86,547
National Association of Chronic Disease Directors			
Reaching People with Disabilities Through Healthy Communities	93.261	5NU58DP006363-03	26,890
Reaching People with Disabilities Through Healthy Communities	93.261	5NU58DP006363-04	70,930
National Institute of Health - Trans-NIH Research Support	93.310	OT2OD023206	
Alabama Department of Public Health			
Disabilities Prevention	93.184	5NU27DD000017-05-01	<u>46,280</u>
Total U.S. Department of Health & Human Services			<u>2,100,081</u>
U.S. Department of Veteran Affairs			
Veterans Adaptive Sports Programs for Disabled Veterans			
VA Assistance to U.S. Paralympic Integrated Adaptive Sports Program - Operation Endurance	64.034	SPORTS-20-023	<u>10,063</u>
Total U.S. Department of Veteran Affairs			<u>10,063</u>
U.S. Department of Energy			
Alabama Department of Economic and Community Affairs			
State Energy Program	81.041	DE-EE0008279	<u>25,585</u>
Total U.S. Department of Energy			<u>25,585</u>
Total Expenditures of Federal Awards			<u>\$ 2,135,729</u>

LAKESHORE FOUNDATION AND AFFILIATE

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Foundation under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or the cash flows of the Foundation.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The Foundation has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

LAKESHORE FOUNDATION AND AFFILIATE

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:
Material weakness(es) identified? yes X no

Significant deficiencies identified that are not considered to be material weaknesses? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes X no

Significant deficiencies identified that are not considered to be material weaknesses? yes X no

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance? yes X no

Identification of major programs:
U.S. Department of Health & Human Services
ALN # 84.133 - National Institute on Disability Rehabilitation Research

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported