LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Financial Statements and Supplementary Information

For the Years Ended September 30, 2016 and 2015

LAKESHORE FOUNDATION AND AFFILIATE

Table of Contents
For the Years Ended September 30, 2016 and 2015

Independent Auditor's Report	1-2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	
For Year Ended 2016	4
For Year Ended 2015	5
Consolidated Statements of Cash Flows	6-7
Notes to Financial Statements	8-19
Supplementary Information	
Consolidated Schedules of Revenue and Support	20
Consolidated Schedules of Expenses	21-22
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	23-24
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*	25-26
Schedule of Expenditures of Federal Awards	27-28
Schedule of Findings and Questioned Costs	29

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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 statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeshore Foundation and Affiliate as of September 30, 2016 and 2015, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated schedule of revenue and support and the consolidated statement of expenses are presented for purposes of additional analysis and are not a required part of the financial statements of Lakeshore Foundation and Affiliate. In addition, 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 not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 February 14, 2017, 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.

Borland Benefield, P.C.
Birmingham, Alabama
February 14, 2017

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Statements of Financial Position
For the Years Ended September 30, 2016 and 2015

Assets	**2016**	**2015**
Current Assets		
Cash and cash equivalents	$ 1,689,039	$ 1,744,982
Short-term investments	758,085	438,076
Pledges receivable - net of allowance for uncollectible pledges of $1,000 in 2016 and $1,550 in 2015.	25,377	25,890
Account receivable - other	355,380	294,311
Interest receivable	74,005	231,765
Prepaid expenses and other	132,024	57,292
Total Current Assets	3,033,910	2,792,316
Long Term Assets		
Investments	71,713,730	68,980,911
Restricted cash	121,753	121,233
Property, plant and equipment, net	21,004,023	21,496,924
Debt issue costs - net of accumulated amortization of $89,462 in 2016 and $73,019 in 2015.	133,354	149,797
Initial cost of lease - net of accumulated amortization of $4,014 in 2016 and $2,230 in 2015.	31,663	33,447
Total Long-term Assets	93,004,523	90,782,312
Total Assets	$ 96,038,433	$ 93,574,628
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	$ 219,620	$ 198,432
Other accrued liabilities	794,784	596,551
Accrued interest	83,519	89,414
Deferred revenue	191,535	106,622
Current portion of long-term debt	881,463	857,835
Total Current Liabilities	2,170,921	1,848,854
Long-term debt	7,738,019	8,621,903
Total Liabilities	9,908,940	10,470,757
Net Assets		
Unrestricted	85,800,485	82,679,653
Temporarily restricted	207,255	302,985
Permanently restricted	121,753	121,233
Total Net Assets	86,129,493	83,103,871
Total Liabilities and Net Assets	$ 96,038,433	$ 93,574,628

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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues				
Contributions, grants and sponsorships	$ 2,331,754	$ 192,045	$ 520	$ 2,524,319
Fundraising events	317,607	-	-	317,607
Memberships	748,887	-	-	748,887
Program fees and contracts	197,781	-	-	197,781
Rental income	3,797,364	-	-	3,797,364
Investment income	3,441,396	-	-	3,441,396
Unrealized gain on investments	1,934,321	-	-	1,934,321
Realized gain on sale of investments	837,734	-	-	837,734
Unrealized gain on retirement assets	7,504	-	-	7,504
Interest income	1,345	-	-	1,345
Other	13,251	-	-	13,251
Net assets released from restrictions	287,775	(287,775)	-	-
Total Public Support and Revenues	13,916,719	(95,730)	520	13,821,509
Expenses				
Program Activities	5,892,599	-	-	5,892,599
Research	1,531,377	-	-	1,531,377
Policy and Advocacy	280,140	-	-	280,140
Communications and memberships	785,783	-	-	785,783
Fundraising/development	593,222	-	-	593,222
General and administrative	1,321,888	-	-	1,321,888
Rental	271,580	-	-	271,580
Investment management fees	119,298	-	-	119,298
Total Expenses	10,795,887	-	-	10,795,887
Change in Net Assets	3,120,832	(95,730)	520	3,025,622
Net Assets, Beginning of Year	82,679,653	302,985	121,233	83,103,871
Net Assets, End of Year	$ 85,800,485	$ 207,255	$ 121,753	$ 86,129,493

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, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues				
Contributions, grants and sponsorships	$ 2,063,156	$ 240,890	$ 545	$ 2,304,591
Fundraising events	548,747	-	-	548,747
Memberships	763,635	-	-	763,635
Program fees and contracts	155,008	-	-	155,008
Rental income	3,759,700	-	-	3,759,700
Investment income	3,205,688	-	-	3,205,688
Unrealized loss on investments	(6,295,722)	-	-	(6,295,722)
Realized gain on sale of investments	1,046,775	-	-	1,046,775
Interest income	2,117	-	-	2,117
Other	147,702	-	-	147,702
Net assets released from restrictions	304,140	(304,140)	-	-
Total Public Support and Revenues	5,700,946	(63,250)	545	5,638,241
Expenses				
Program Activities	5,768,001	-	-	5,768,001
Research	1,236,378	-	-	1,236,378
Policy and Advocacy	139,556	-	-	139,556
Communications and memberships	661,477	-	-	661,477
Fundraising/development	823,708	-	-	823,708
General and administrative	1,292,284	-	-	1,292,284
Rental	336,969	-	-	336,969
Investment management fees	96,391	-	-	96,391
Total Expenses	10,354,764	-	-	10,354,764
Change in Net Assets	(4,653,818)	(63,250)	545	(4,716,523)
Net Assets, Beginning of Year	87,333,471	366,235	120,688	87,820,394
Net Assets, End of Year	$ 82,679,653	$ 302,985	$ 121,233	$ 83,103,871

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows
For the Years Ended September 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ 3,025,622	$ (4,716,523)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Net amortization of debt issue costs and bond premiums and discount	15,805	15,806
Depreciation	1,065,208	1,021,599
Unrealized (gain)/loss on investments	(1,934,321)	6,291,886
Unrealized (gain)/loss on retirement plan assets	(7,504)	3,836
Realized gain on sale of investments	(837,734)	(1,046,775)
(Gain)/Loss on sale of property and equipment	(250)	569
Permanently restricted contributions received	(520)	(545)
Change in operating assets and liabilities:		
Pledges receivable, net	514	(14,346)
Accounts receivable - other	(61,069)	(112,554)
Interest receivable	157,760	(143,735)
Prepaid expenses and other	(42,228)	22,931
Accounts payable	21,188	26,852
Other accrued liabilities	198,233	77,876
Deferred revenue	84,913	(67,160)
Accrued interest payable	(5,895)	(5,549)
Net Cash Provided by Operating Activities	1,679,722	1,354,168
Cash Flows from Investing Activities		
Purchase of investments	(75,720,224)	(65,161,264)
Proceeds from sale of investments	75,759,460	66,535,830
Net change in short-term investments	(320,010)	(73,696)
Net change in restricted cash	(520)	(545)
Net change in retirement assets	(25,000)	(3,836)
Purchases of property and equipment	(572,356)	(801,229)
Proceeds from sale of property and equipment	300	1,132
Net Cash Provided/(Used) by Investing Activities	(878,350)	496,392

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows (continued)
For the Years Ended September 30, 2016 and 2015

	2016	2015
Cash Flows from Financing Activities		
Repayment of principal amounts	(857,835)	(835,265)
Permanently restricted contributions received	520	545
Bond issuance proceeds	-	-
Payment of bond issue costs	-	-
Net Cash (Used) by Financing Activities	(857,315)	(834,720)
Increase/(Decrease) in Cash and Cash Equivalents	(55,943)	1,015,840
Cash and Cash Equivalents, Beginning of Year	1,744,982	729,142
Cash and Cash Equivalents, End of Year	$ 1,689,039	$ 1,744,982
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 311,131	$ 334,881

See accompanying notes to financial statements.

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 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 period. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions 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.

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 temporarily 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 five percent. Amortization of the discounts is included in contribution revenue.

Note 1 – Summary of Significant Accounting Policies (continued)

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 cost or fair value. Investments are not actively traded, and management intends to hold investments. As a result, investments are reported as long-term in the Consolidated Statement of Financial Position. For investments where quoted market prices are not available, the investment is reported at cost (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, 2016.

Borrowing Costs – Interest costs, net of any related interest earnings, incurred on tax-exempt borrowings during the period of construction of capital assets were capitalized as a component of the cost of acquiring those assets.

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.

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

Unrestricted Net Assets – Unrestricted net assets generally result from revenues derived from providing services and receiving unrestricted contributions, less expenses incurred in providing services, raising contributions and performing administrative functions.

Note 1 – Summary of Significant Accounting Policies (continued)

Temporarily Restricted Net Assets – Temporarily restricted net assets 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.

Permanently Restricted Net Assets – Permanently restricted net assets generally result from contributions and other receipts that are subject to donor-imposed stipulations that the assets be maintained permanently by the Foundation.

Revenue Recognition – Public support is recognized by the Foundation as unrestricted revenue or temporarily restricted revenue 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, and depreciation and amortization, to general and administrative, fundraising/development, communications and memberships, 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, 2016, that they would be unable to substantiate. Tax returns for the Lakeshore Foundation and the Lakeshore Support Organization for the fiscal year 2012 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.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued) - 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, 2016 and 2015.

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. The fair value of hedge funds and alternative investments, and some corporate obligations are categorized within Level 3 of the fair value hierarchy.

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 - other, interest receivable, accounts payable, and accrued interest. Long-term debt is recorded at cost, which approximates fair value as disclosed in Note 5.

Note 1 – Summary of Significant Accounting Policies (continued)

Reclassifications – Certain reclassifications have been made to the 2015 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 Standards – In May 2015, Accounting Standards Update No. 2015-07 ("ASU 2015-07"), "Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)", was issued. This guidance exempts investments measured using net asset value from categorization within the fair value hierarchy (see Note 3). Effective for the year ended September 30, 2016, the Foundation adopted ASU 2015-07. Accordingly, the presentation of the Foundation's investment in the fair value hierarchy as of September 30, 2016 and 2015 in Note 9 was amended to conform to this new guidance.

Note 2 – Pledges Receivable

Pledges receivable at September 30 consist of the following:

	2016	2015
Unconditional promises to give	$ 26,377	$ 27,440
Less allowance for uncollectible accounts	1,000	1,550
Net unconditional promises to give	$ 25,377	$ 25,890

The expected collection of pledges receivable at September 30, 2016, is as follows:

Less than one year	$ 26,377

Note 3 – Property, Plant and Equipment

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

	2016	2015
Land	$ 211,176	$ 211,176
Land improvements	1,511,071	1,502,921
Major moveable equipment	2,141,912	2,178,889
Buildings and improvements	39,402,546	38,490,198
Fixed equipment	6,761,816	6,663,047
Construction in progress	134,266	609,187
Total property and equipment	50,162,787	49,655,418
Less accumulated depreciation	29,158,764	28,158,494
Total property and equipment, net	$ 21,004,023	$ 21,496,924

Note 4 – Investments

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

	2016		2015	
	Cost or Amortized Cost	Fair Value	Cost or Amortized Cost	Fair Value
Short-term investments	$ 758,086	$ 758,086	$ 438,076	$ 438,076
Long-term investments:				
U.S. Government and agency securities	4,406,109	4,570,099	5,103,250	5,220,339
Corporate obligations	5,878,004	6,056,348	5,299,433	5,244,910
Equity mutual funds	37,157,639	37,386,132	13,115,343	13,449,540
Hedge fund and alternative investments	14,552,652	17,763,938	8,263,407	11,249,305
International mutual funds	-	-	23,170,230	22,651,598
Mutual funds - fixed income	5,256,660	5,255,802	11,660,421	10,597,892
Balanced mutual funds	1,950,000	1,960,714	1,790,483	1,808,823
Total	69,201,064	72,993,033	68,402,567	70,222,407
Total Investments	$ 69,959,150	$ 73,751,119	$ 68,840,643	$ 70,660,483

The organization holds the alternative investments (hedge funds) reported above, consisting of seven hedge funds and two pooled funds at September 30, 2016 and 2015, which are limited partnerships or similar arrangements. The hedge fund investments are 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 primarily of long/short equity hedge funds (domestic and international) (70 to 85%), with the balance invested in distressed/credit, sector or commodity related funds or other investment opportunities.

Included in the above alternative investments are three securities recorded at fair market value totaling $8,940,102 at September 30, 2016, with a net unrealized gain of $1,904,127. Also, there are three securities recorded at fair market value totaling $8,696,397 at September 30, 2015, with a net unrealized gain of $1,744,403. There are also alternative investments reported above that include four investments recorded at cost totaling $1,566,677 whose fair value is $2,845,979 at September 30, 2016. Also, there are three investments recorded at cost totaling $1,339,412 whose fair value is $2,552,891 at September 30, 2015. The alternative investments reported above also include four pooled fund investments recorded at net asset value per share totaling $5,977,856 whose fair value is $6,019,967 at September 30, 2016.

The alternative investments also have redemption notice periods that range from quarterly with 60 days of notice, to 120 days using the prior year's audit fair value, to the last business day of each fiscal year by providing notice to the investment manager no later than September 15th of the fiscal year. 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, 2016 and 2015 totaled $1,034,866 and $256,276, respectively.

Note 4 – Investments (continued)

Included in the above equity mutual funds is one pooled fund investment that the Foundation elected to record at net asset value per share totaling $37,386,132 whose fair value is $37,386,132 at September 30, 2016. Also, included in the above mutual funds – fixed income is one pooled fund that the Foundation elected to be recorded at net asset value per share totaling $4,309,941 whose fair value is $4,309,941 at September 30, 2016.

Note 5 – Long-term Debt

The Foundation issued $6,455,000 of Lease Revenue Bonds (Series 2009 Bonds) on September 29, 2009, through the Medical Clinic Board of the City of Homewood to refund the Series 2000 Bonds. The Series 2009 Bonds were designated as qualified tax-exempt obligations under Section 265(b)(3) of the IRC. Principal of the Series 2009 Bonds is payable annually beginning on November 1, 2009, and interest is payable semi-annually beginning November 1, 2009. All amounts are required to be paid in full on or before November 1, 2024.

The Foundation issued $5,867,500 of Lease Revenue Bonds (Series 2013 Bonds) in November 2013, through the Medical Clinic Board of the City of Homewood. These bonds were issued to refinance the 2005 debt and have been designated as qualified tax-exempt obligations under Section 265(b)(3) of the IRC. Principal and interest of the Series 2013 Bonds are payable monthly beginning on December 1, 2013. All amounts are required to be paid in full on or before November 1, 2024.

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

	2016	2015
Capital lease through the Medical Clinic Board of the City of Homewood - Lease Revenue Bonds, Series 2009, with interest at 2.0% to 5.0%, payments due annually through 2024	$ 4,080,000	$ 4,450,000
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	4,517,899	5,005,734
Total Debt	8,597,899	9,455,734
Unamortized bond discount/premium, net	21,583	24,004
Total Debt, net	8,619,482	9,479,738
Less current portion	881,463	857,835
Total Long-Term Debt, net	$ 7,738,019	$ 8,621,903

Note 5 – Long-term Debt (continued)

Future principal maturities of long term debt at September 30, 2016, and for the next 5 years and thereafter are as follows:

2017	$ 881,463
2018	910,104
2019	944,115
2020	978,303
2021	1,028,286
Thereafter	3,855,628
Total Debt	$ 8,597,899

The fair market value of bonds payable, which is estimated using current trade rates, was approximately $8,597,899 and $9,455,734 at September 30, 2016 and 2015, respectively.

Interest cost expensed for the years ended September 30, 2016 and 2015, was $305,236 and $329,332, respectively.

Note 6 – Rentals Under Operating Leases

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

The Foundation leases 14,059 square feet of classroom and office space to the Alabama Department of Rehabilitation Services that expires on September 30, 2018. The lessee has the option to terminate this agreement without penalty at the end of any fiscal year in the event the state legislature fails to appropriate sufficient funds to the lessee to make rental payments or with six months' prior notice.

The Foundation leases approximately 11,000 square feet of gymnasium space in the Wallace Recreation Center to Ace Allstars of Alabama, LLC under a noncancelable operating lease that expires on March 31, 2017.

The Foundation leases tennis facilities to two individuals under a noncancelable lease that expires on September 30, 2017.

The Foundation leases approximately 145,000 square feet of buildings and various equipment to a subsidiary of HealthSouth Corporation (HealthSouth) under a noncanceleable operating lease that expires on September 30, 2034 (Note 7). Effective May 1, 2015, HealthSouth returned Magnolia Hall, a 8,859 square feet building, to the Foundation and assigned its lease with Neuropsychology Institute, LLC for a portion of the building to the Foundation. The lease with Neuropsychology Institute, LLC expired on December 31, 2016.

The following is a schedule by year of minimum future rentals on noncancelable operating leases as of September 30, 2016:

2017	$ 3,783,216
2018	3,762,941
2019	3,610,286
2020	3,681,727
2021	3,754,596
Thereafter	55,674,401
Total future minimum rentals:	$ 74,267,167

Note 6 – Rentals Under Operating Leases (continued)

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

	2016	2015
Land improvements	$ 998,892	$ 998,892
Major moveable equipment	288,944	288,944
Buildings and improvements	10,067,457	10,060,067
Fixed equipment	6,195,285	6,203,696
Total property and equipment	17,550,578	17,551,599
Less accumulated depreciation	17,171,898	17,085,797
Total property and equipment, net	$ 378,680	$ 465,802

Note 7 – Lease and Service Agreements with HealthSouth

Since October 1, 1994, the Foundation has leased its healthcare facilities to HealthSouth. Effective October 2014, the Foundation entered into an amended and restated lease agreement with HealthSouth that extends the lease term to September 30, 2034. The rent will be paid in monthly installments of $275,000, with escalations annually thereafter.

On April 1, 2015 the Foundation entered into the First Amendment to the Amended and Restated Lease Agreement with HealthSouth which stated that effective May 1, 2015 HealthSouth will return to Lakeshore the building referred to as Magnolia Hall and the building referred to as Cabot Lull will be included in the premises leased to HealthSouth for the remaining lease term.

The Foundation also entered into an annual service agreement with HealthSouth whereby HealthSouth provides maintenance and other services for a portion of the Foundation's facilities in exchange for agreed-upon fees. For the years ended September 30, 2016 and 2015, fees incurred for these services totaled approximately $41,700 and $174,488, respectively.

Note 8 – Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets consisting of cash and pledges receivable are available for the following purposes at September 30:

	2016	2015
Purpose restrictions:		
Fund programs for the disabled	$ 155,603	$ 134,350
Injured military initiative programs	51,652	168,635
Total Temporarily Restricted Net Assets	$ 207,255	$ 302,985

The above restricted net assets include $25,377 of net pledges receivable also restricted for time as of September 30, 2016 and $25,890 at September 30, 2015.

Note 8 – Net Assets (continued)

Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment funds on which earnings are used to fund scholarships for members.

Note 9 – 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.

Level 3 investments consist primarily of investments in common trust funds whereby the underlying investments are equity investments in common stocks or hedge funds and alternative investments. Such funds are not publicly traded, and pricing is not available to the public, which results in a Level 3 classification.

As of September 30 2016, the Foundation had four investments recorded at cost totaling $1,566,677 with a fair value of $2,845,979 and four pooled fund investments recorded at net asset value per share totaling $47,673,929 which are not reflected in the amounts below.

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, 2016:

		Fair Value Measurement at Report Date Using		
Assets	**Fair Value**	**Quoted Prices in Active Markets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Investments:				
U.S. Government agencies	$ 2,274,382	$ -	$ 2,274,382	$ -
Mortgages and leases	2,295,717	-	2,295,717	-
Corporate obligations	6,056,348	-	6,037,473	18,875
Equity mutual funds	-	-	-	-
Balanced mutual funds	1,960,714	-	1,960,714	-
Mutual funds - fixed income	945,861	-	945,861	-
International mutual funds	-	-	-	-
Hedge funds and alternative investments	8,940,103	-	-	8,940,103
Short-term investments	758,086	-	758,086	-
Total Assets	$ 23,231,211	$ -	$ 14,272,233	$ 8,958,978

Note 9 – Fair Value Measurements (continued)

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 investment assets for the year ended September 30, 2016:

	Level 3 Assets
Beginning balance - October 1, 2015	8,722,039
Purchases	103,287
Sales	10,438
Transfers in (out) of Level 3	-
Unrealized gains for instruments held at the reporting date	140,144
Unrealized losses for instruments held at the reporting date	(16,930)
Ending balance - September 30, 2016	8,958,978

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, 2015:

		Fair Value Measurement at Report Date Using		
Assets	**Fair Value**	**Quoted Prices in Active Markets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Investments:				
U.S. Government agencies	$ 2,894,555	$ -	$ 2,894,555	$ -
Mortgages and leases	2,325,784	-	2,325,784	-
Corporate obligations	5,244,910	-	5,219,285	25,625
Equity mutual funds	13,449,540	-	13,449,540	-
Balanced mutual funds	1,808,823	-	1,808,823	-
Mutual funds - fixed income	10,597,892	-	10,597,892	-
International mutual funds	22,651,598	-	22,651,598	-
Hedge funds and alternative investments	8,696,414	-	-	8,696,414
Short-term investments	438,076	-	438,076	-
Total Assets	$ 68,107,592	$ -	$ 59,385,553	$ 8,722,039

Note 9 – Fair Value Measurements (continued)

As of September 30 2015, the Foundation had three investments recorded at cost totaling $1,339,412 whose fair value of $2,552,891 was excluded in the previous table.

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 investment assets for the year ended September 30, 2015:

	Level 3 Assets
Beginning balance - October 1, 2014	$ 8,141,810
Purchases	231,422
Sales	(20,099)
Transfers in (out) of Level 3	-
Unrealized gains for instruments held at the reporting date	397,569
Unrealized losses for instruments held at the reporting date	(28,663)
Ending balance - September 30, 2015	$ 8,722,039

Note 10 – Related Party Transaction

In 2016, the Foundation paid legal services to a law firm in which a partner of the law firm is also a member of the Foundation's Board of Directors. The total amount of legal services paid to the law firm in 2016 totaled $33,911. It is the opinion of management that this transaction occurred in the normal course of business and it is most favorable to the Foundation.

The Foundation owns the hospital in which HealthSouth, Inc. leases from the Foundation. A member of management at HealthSouth, Inc. is also a member of the Foundation's Compensation Committee of its Board of Directors. The total amount of lease payments received from HealthSouth, Inc. in 2016 was $3,366,000.

Note 11 – Subsequent Events

The Foundation has evaluated subsequent events through February 14, 2017, the date the financial statements were available to be issued.

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Schedules of Revenue and Support
For the Years Ended September 30, 2016 and 2015

	2016	2015
Contributions, Grants and Scholarships		
Unrestricted contributions, grants and scholarships:		
Contributions and sponsorships	$ 460,581	$ 511,748
Governmental grants	340,982	164,953
Research grants	1,298,474	1,174,499
Injured military initiatives	231,717	278,159
Temporarily restricted contributions:		
Contributions and sponsorships	130,393	41,630
Governmental grants	10,000	-
Injured military initiatives	51,652	133,057
Permanently restricted contributions:		
Contributions to scholarship funds	520	545
Total Contributions, Grants and Scholarships	2,524,319	2,304,591
Fundraising Events	$ 317,607	548,747
Membership Revenue, net of scholarships and bad debts	748,887	763,635
Program Fees and Contracts		
Athletic events	72,237	69,583
Athletics	59,809	23,598
Training site	25,778	47,669
Military	25,193	-
Recreation	11,212	14,158
Research	3,552	-
Total Program Fees and Contracts	197,781	155,008
Rental Income		
Rehabilitation hospital	3,366,000	3,300,000
Vocational rehabilitation building	214,119	209,901
Wallace Recreation Center	109,047	155,502
Other	108,198	94,297
Total Rental Income	3,797,364	3,759,700
Other Revenue		
Investment income	3,441,396	3,205,688
Unrealized gains/(losses) on sale of investments, net	1,934,321	(6,295,722)
Realized gains on sale of investments, net	837,734	1,046,775
Unrealized gain on retirement assets	7,504	-
Interest income	1,345	2,117
Other	13,251	147,702
Total Other Revenue	6,235,551	(1,893,440)
Total Revenue and Support	$ 13,821,509	$ 5,638,241

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Schedules of Expenses
For the Years Ended September 30, 2016 and 2015

	2016	2015
Program Activities		
Salaries and Benefits	2,163,176	2,023,688
Athletics	215,548	212,792
Training site	80,404	86,197
Athletic events	43,628	79,271
Recreation	69,317	67,106
Aquatics	21,513	18,567
Fitness	25,608	31,434
Military initiative	242,323	299,516
Other programs	14,981	13,642
Depreciation and facility operations	2,722,811	2,619,834
Interest expense	293,290	315,954
Total Program Activities	5,892,599	5,768,001
Research		
Lakeshore Research Fund		
Salaries and Benefits	145,084	120,687
Other expenses	35,097	36,878
Grants awarded	128,873	-
Total Lakeshore Research Fund	309,054	157,565
Research Grants		
Salaries and Benefits	927,064	850,955
Research grant expenses	170,263	106,260
Total Research Grants	1,097,327	957,215
Depreciation and facility operations	112,841	108,504
Interest expense	12,155	13,094
Total Research	1,531,377	1,236,378
Policy and Advocacy		
Salaries and benefits	106,059	45,037
General expenses	7,302	8,833
Business meals and travel	28,832	29,052
Purchased services and public awareness	49,260	54,561
Policy and advocacy grants	86,558	
Depreciation and facility operations	1,922	1,850
Interest expense	207	223
Total Policy and Advocacy	280,140	139,556

See independent auditor's report.

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Schedules of Expenses (continued)
For the Years Ended September 30, 2016 and 2015

	2016	2015
Communications and Memberships		
Salaries and benefits	543,443	508,598
General expenses	59,851	30,837
Publications and public awareness	137,539	81,385
Member related expenses	22,883	19,177
Depreciation and facility operations	19,921	19,168
Interest expense	2,146	2,312
Total Communications and Memberships	785,783	661,477
Fundraising/Development		
Salaries and benefits	397,402	384,290
General expenses	38,438	42,974
Event expenses	125,902	365,802
Depreciation and facility operations	28,419	27,344
Interest expense	3,061	3,298
Total Fundraising/Development	593,222	823,708
General and Administrative		
Salaries and benefits	1,003,957	925,013
Supplies	114,272	88,983
Business meals and travel	23,726	23,867
Purchased services	142,404	217,892
Depreciation and facility operations	33,880	32,598
Interest expense	3,649	3,931
Total General and Administrative	1,321,888	1,292,284
Rental	271,580	336,969
Investment Management Fees	119,298	96,391
Total Expenses	$ 10,795,887	$ 10,354,764

See independent auditor's report.

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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, 2016. 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, 2016.

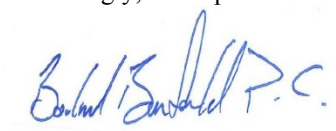
Report on Internal Control Over Compliance

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
February 14, 2017

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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, 2016, 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 February 14, 2017.

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) to determine 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 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.

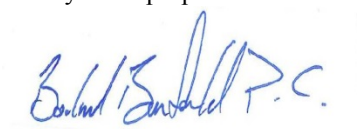
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 determination of 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 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
February 14, 2017

LAKESHORE FOUNDATION AND AFFILIATE

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Title	CFDA Number	Pass-Through/Local Grantor Number	Total Expended
U.S. Department of Health & Human Services			
University of Alabama at Birmingham			
Child Health and Human Development Extramural Research	93.865	164965	$ 13,132
Disabilities Prevention	93.184	164965	290,767
National Association of Chronic Disease Directors			
Building Capacity of the Public Health System	93.424	5NU38OT000225-04	6,000
Alabama Departement of Public Health			
Disabilities Prevention	93.184	5NU59DD000947-04	50,000
Total U.S. Department of Health & Human Services			359,899
U.S. Department of Education			
University of Alabama at Birmingham			
National Institute on Disability and Rehabilitation Research	84.133	164965	782,925
U.S. Department of Transportation			
Alabama Department of Economic and Community Affairs			
Recreational Trails Program	20.219	15-RT-ED-01	30,000
Birmingham-Jefferson County Transit Authority			
Enhanced Mobility of Seniors and Invidividuals with Disabilities	20.513	2015-1451-09	91,235
New Freedom Program	20.521	2015-1451-09	49,250
Total U.S. Department of Transportation			170,485
U.S. Department of Energy			
Alabama Department of Economic and Community Affairs			
State Energy Program	81.041	DE-EE0006978	10,000
U.S. Department of Veteran Affairs			
Veterans Adaptive Sports Programs for Disabled Veterans			
VA Assistance to U.S. Paralympic Integrated Adaptive Sports Program	64.034	2016-ASG-38	31,758
U.S. Department of Defense			
University of Alabama at Birmingham			
Military Medical Research and Development	12.420	164965	23,583
Total Expenditures of Federal Awards			$ 1,378,650

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

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, 2016. 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

(1) 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.

(2) The Foundation has elected not 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, 2016

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 Education
CFDA# 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