LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Financial Statements and Supplementary Information

For the Years Ended September 30, 2019 and 2018

LAKESHORE FOUNDATION AND AFFILIATE

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BORLAND | BENEFIELD

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, 2019, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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, 2019, 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 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 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 REPORT DATE, 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 2018 consolidated financial statements, and our report dated January 7, 2019 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Borland Benefield P.C.
Birmingham, Alabama
January 6, 2020

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Statement of Financial Position
For the Years Ended September 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 1,174,358	$ 1,110,526
Short-term investments	2,097,946	572,874
Pledges receivable - net of allowance for uncollectible pledges of $5,000 in 2019 and 2018	594,760	454,450
Accounts receivable - other	428,164	316,533
Other assets	319,907	294,840
Total Current Assets	4,615,135	2,749,223
Long Term Assets		
Investments	74,383,989	78,109,111
Restricted cash	2,298,111	1,539,302
Pledges receivable - long term - net of allowance for uncollectible pledges of $25,000 in 2019 and $20,000 in 2018	746,203	610,670
Property, plant and equipment, net	34,911,899	27,052,011
Initial cost of lease - net of accumulated amortization of $9,366 in 2019 and $7,582 in 2018	26,312	28,096
Total Long-Term Assets	112,366,514	107,339,190
Total Assets	$ 116,981,649	$ 110,088,413
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	$ 732,107	$ 909,086
Other accrued liabilities	2,106,578	726,626
Accrued interest	96,465	41,306
Deferred revenue	142,325	114,805
Current portion of long-term debt	1,025,371	1,005,165
Total Current Liabilities	4,102,846	2,796,988
Long-term debt, less current maturities	14,813,165	8,841,119
Total Liabilities	18,916,011	11,638,107
Net Assets		
Without donor restrictions	94,300,147	95,488,349
With donor restrictions	3,765,491	2,961,957
Total Net Assets	98,065,638	98,450,306
Total Liabilities and Net Assets	$ 116,981,649	$ 110,088,413

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, 2019
With Summarized Financial Information
For the Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total	2018
Public Support and Revenues				
Contributions, grants and sponsorships	$ 2,450,359	$ 1,395,976	$ 3,846,335	$ 7,838,225
Fundraising events	780	-	780	71,400
Memberships	724,290	-	724,290	711,054
Program fees and contracts	145,941	-	145,941	102,354
Rental income	4,323,125	-	4,323,125	3,942,839
Investment income, net	668,052	-	668,052	678,383
Unrealized gain on investments	351,701	-	351,701	3,284,745
Realized gain on sale of investments	1,027,330	-	1,027,330	1,068,314
Unrealized loss on retirement assets	(4,313)	-	(4,313)	6,549
Interest income	38,860	-	38,860	17,734
Other	6,398	-	6,398	8,212
Net assets released from restrictions	592,442	(592,442)	-	-
Total Public Support and Revenues	10,324,965	803,534	11,128,499	17,729,809
Expenses				
Program activities	6,101,928	-	6,101,928	6,079,112
Research	2,045,571	-	2,045,571	1,509,057
Policy and advocacy	529,006	-	529,006	378,422
Communications	415,109	-	415,109	385,806
Fundraising/development	578,629	-	578,629	580,393
General and administrative	1,504,631	-	1,504,631	1,502,244
Rental	338,293	-	338,293	242,206
Loss on extinguishment of debt	-	-	-	50,965
Total Expenses	11,513,167	-	11,513,167	10,728,205
Change in Net Assets	(1,188,202)	803,534	(384,668)	7,001,604
Net Assets, Beginning of Year	95,488,349	2,961,957	98,450,306	91,448,702
Net Assets, End of Year	$ 94,300,147	$ 3,765,491	$ 98,065,638	$ 98,450,306

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2019
With Summarized Financial Information
For the Year Ended September 30, 2018

	Program Activities	Research	Advocacy & Policy	Fundraising Development	Communications	Management & General	Rental	Total	2018
Salaries	$ 2,507,623	$ 1,159,237	$ 249,312	$ 246,154	$ 237,843	$ 985,451	$ -	$ 5,385,620	5,046,433
Benefits	535,709	238,192	51,631	54,682	54,434	206,123	-	1,140,771	1,061,115
Supplies and general expenses	67,487	13,721	1,213	2,960	2,252	14,473	-	102,106	107,618
Printing, postage and copy expenses	12,900	20,671	1,313	11,414	3,298	8,359	-	57,956	52,288
Payroll, bank fees and background checks	246	-	4	351	-	54,589	-	55,190	53,166
Business meals and travel	317,614	40,031	43,548	23,858	6,614	17,688	-	449,352	369,396
Dues, conferences and meetings	20,468	19,629	29,037	5,389	3,232	20,578	-	98,332	37,620
Legal and accounting	-	-	-	-	-	74,793	-	74,793	59,255
Professional fundraising	-	-	-	89,000	-	-	-	89,000	91,000
Strategic plan consulting fees	-	24,740	-	-	-	58,812	-	83,552	-
Purchased services	48,349	138,838	41,368	18,258	22,405	1,070	2,400	272,687	318,264
Advertising, publications and public awareness	20,127	10,000	1,871	66,061	58,444	-	-	156,503	152,106
Equipment	114,217	77,240	7,868	580	1,228	2,518	4,000	207,651	162,277
Telephone, internet and cable	58,461	7,262	2,156	723	716	2,835	2,688	74,842	78,057
Information technology	23,841	34,200	1,448	26,797	3,940	29,188	-	119,414	128,275
Landscaping	116,947	12,380	4,667	1,521	1,150	1,334	4,201	142,200	138,475
Laundry	60,738	6,538	2,481	808	572	709	-	71,846	68,684
Utilities	632,157	65,763	24,618	8,021	6,496	7,036	133,801	877,892	824,036
Interest & bond admin expense	295,352	33,870	13,159	4,287	2,285	3,759	-	352,712	245,305
Depreciation and amortization	880,037	100,918	39,208	12,774	6,807	11,207	95,206	1,146,157	1,119,870
Insurance	149,267	15,327	5,796	1,888	1,385	1,656	53,798	229,117	198,629
Repairs & maintenance, rental, pest control	240,388	27,012	8,308	3,103	2,008	2,453	42,199	325,472	365,371
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	50,965
	$ 6,101,928	$ 2,045,571	$ 529,006	$ 578,629	$ 415,109	$ 1,504,631	$ 338,293	$ 11,513,167	$ 10,728,205

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Statement of Cash Flows
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ (384,668)	$ 7,001,604
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	17,656	17,194
Depreciation	1,127,071	1,077,342
Unrealized gain on investments	(351,700)	(3,284,745)
Unrealized gain on retirement plan assets	4,312	(6,548)
Realized gain on sale of investments	(1,027,330)	(1,068,314)
Loss on sale of property and equipment	17,302	25,335
Loss on extinguishment of debt	-	50,964
Permanently restricted contributions received	(520)	(520)
Restricted contributions for capital, net	(1,653,697)	(5,144,659)
Change in operating assets and liabilities:		
Pledges receivable, net	73,438	(80,038)
Accounts receivable - other	(111,631)	17,988
Interest receivable	6,629	5,414
Prepaid expenses and other	(1,008)	12,301
Accounts payable	76,025	(2,444)
Other accrued liabilities	129,952	(665)
Deferred revenue	27,521	(25,476)
Accrued interest payable	55,159	(35,762)
Net Cash (Used) by Operating Activities	(1,995,489)	(1,441,029)
Cash Flows from Investing Activities		
Purchase of investments	(19,287,745)	(20,260,142)
Proceeds from sale of investments	25,641,898	23,479,755
Net change in short-term investments	(1,525,072)	686
Net change in restricted cash	(758,810)	(1,417,030)
Net change in retirement assets	(35,000)	(35,000)
Purchases of property and equipment	(9,262,089)	(6,360,922)
Proceeds from sale of property and equipment	4,825	57
Net Cash (Used) by Investing Activities	(5,221,993)	(4,592,596)

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows (continued)
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Financing Activities		
Repayment of principal amounts	$ (994,115)	$ (910,986)
Bond issuance proceeds	6,981,544	6,408,956
Bonds refunded	-	(3,305,000)
Bond issue costs - new	-	(96,533)
Capital lease proceeds (payments)	(11,050)	64,784
Permanently restricted contributions received	520	520
Restricted capital campaign, net proceeds	1,304,415	4,165,878
Net Cash Provided by Financing Activities	7,281,314	6,327,619
Increase in Cash and Cash Equivalents	63,832	293,994
Cash and Cash Equivalents, Beginning of Year	1,110,526	816,532
Cash and Cash Equivalents, End of Year	$ 1,174,358	$ 1,110,526
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 352,713	$ 271,640
Construction in progress included in accounts payable	$ 400,974	$ 653,978

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 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.

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 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 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 cost, 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 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, 2019.

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.

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, 2019 that they would be unable to substantiate. Tax returns for the Lakeshore Foundation and the Lakeshore Support Organization for the fiscal year 2015 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.

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, 2019 and 2018.

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.

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 - other, 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 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

New Accounting Pronouncements - On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation adopted the provisions of this standard for the period as of and ending September 30, 2019. The new standards change the following aspects of the Foundation's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions and temporarily restricted net asset class to net assets with donor restrictions.
- The financial statements include new disclosure about liquidity and availability of resources (Note 11).

Recent Pronouncements - 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, 2020. Management is evaluating the new accounting pronouncements and its applicability to the Foundation.

Note 2 – Pledges Receivable

Pledges receivable at September 30 consist of the following:

	2019	2018
Unconditional promises to give	$ 1,423,664	$ 1,139,250
Less allowance for uncollectible accounts	30,000	25,000
Less adjustment for net present value	52,701	49,130
Net unconditional promises to give	$ 1,340,963	$ 1,065,120

Note 2 – Pledges Receivable (continued)

The expected collection of pledges receivable at September 30, 2019, is as follows:

Less than one year	$ 599,760
One to five years	823,904
Total unconditional promises to give	$ 1,423,664

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

Note 3 – Property, Plant and Equipment

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

	2019	2018
Land	$ 211,176	$ 211,176
Land improvements	3,485,500	1,594,441
Major moveable equipment	2,236,069	2,241,864
Buildings and improvements	44,024,087	42,216,957
Fixed equipment	6,691,094	6,691,094
Construction in progress	9,665,489	4,443,272
Total property and equipment	66,313,415	57,398,804
Less: Accumulated depreciation	31,401,516	30,346,793
Total Property and Equipment, Net	$ 34,911,899	$ 27,052,011

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Note 4 – Investments

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

	2019		2018	
	Cost or Amortized Cost	Carrying Value	Cost or Amortized Cost	Carrying Value
Short term money market funds	$ 2,097,946	$ 2,097,946	$ 572,874	$ 572,874
Long-term investments:				
U.S. Government and agency securities	5,209,288	5,537,720	4,811,529	4,692,424
Corporate obligations	5,435,125	5,663,228	5,782,147	5,659,662
Fixed income mutual funds	1,656,819	1,392,560	1,264,831	1,273,885
Balanced mutual funds	440,409	414,857	1,741,752	1,720,668
Private investment funds:				
Private equity funds	29,412,811	38,589,558	32,477,997	42,562,486
Fixed income funds	4,029,940	4,421,556	4,313,628	4,292,271
Hedge funds	5,332,153	5,850,821	5,516,189	6,114,263
Alternative funds	8,898,146	12,513,689	8,583,440	11,793,452
Total Long-Term Investments	60,414,691	74,383,989	64,491,513	78,109,111
Total Investments	$ 62,512,637	$ 76,481,935	$ 65,064,387	$ 78,681,985

The organization holds private investment funds consisting of nine pooled funds at September 30, 2019 and September 30, 2018, which are limited partnerships or similar arrangements. The pooled 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 investment funds are four alternative investments recorded at cost totaling $634,062 whose fair market value is $897,215, with a net unrealized gain of $263,153 at September 30, 2019. At September 30, 2018, the four investments recorded at cost totaling $654,128 whose fair market value is $1,202,879, with a net unrealized gain of $548,751.

The alternative investments 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, 2019 and September 30, 2018 totaled $1,131,597 and $1,170,112, 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.

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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.

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

	2019	2018
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	$ 2,972,218	$ 3,501,332
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	2,925,500	3,390,500
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	10,000,000	3,018,456
Capital lease of equipment	52,852	63,902
Total Debt	15,950,570	9,974,190
Unamortized debt issuance costs	(112,034)	(127,906)
Total Debt, net	15,838,536	9,846,284
Less: Current portion	1,025,371	1,005,165
Total Long-Term Debt, net	$ 14,813,165	$ 8,841,119

Future principal maturities of long term debt at September 30, 2019, and for the next 5 years and thereafter are as follows:

2020	$ 1,025,371
2021	1,699,249
2022	1,736,087
2023	1,770,716
2024	1,791,094
Thereafter	7,928,053
Total Debt	$ 15,950,570

Note 5 – Long-term Debt (continued)

The fair market value of bonds payable, which is estimated using current trade rates, was approximately $14,813,165 and $8,841,119 at September 30, 2019 and 2018, respectively.

Interest cost expensed for the years ended September 30, 2019 and 2018, was $352,712 and $261,319, 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 Wallace Building 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 4,172 square feet of office and clinical space located in the Magnolia Building to The Children's Hospital of Alabama under a noncancelable operating lease that expires on January 31, 2022. 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, 2020.

The following is a schedule by year of minimum future rentals on non-cancelable operating leases as of September 30, 2019:

2020	$ 4,134,228
2021	4,172,916
2022	4,258,235
2023	4,304,716
2024	4,393,043
Thereafter	45,874,795
Total future minimum rentals:	$ 67,137,933

[*Remainder of page intentionally left blank*.]

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:

	2019	2018
Land improvements	$ 998,892	$ 998,892
Major moveable equipment	272,866	272,866
Buildings and improvements	12,789,283	12,773,044
Fixed equipment	6,195,285	6,195,285
Total property and equipment	20,256,326	20,240,087
Less: Accumulated depreciation	16,734,164	16,618,636
Total Property And Equipment, Net	$ 3,522,162	$ 3,621,451

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:

	2019	2018
Purpose restrictions:		
Capital projects	$ 3,537,285	$ 2,448,419
Fund programs for the disabled	37,936	212,589
Research grant funding	66,957	178,156
Scholarships for members	123,313	122,793
Total Net Assets With Donor Restrictions	$ 3,765,491	$ 2,961,957

The above restricted net assets include $1,340,963 of net pledges receivable also restricted for time as of September 30, 2019 and $1,065,120 at September 30, 2018.

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.

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.

Note 8 – Fair Value Measurements (continued)

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, 2019, the Foundation had four investments recorded at cost totaling $634,062 with a fair value of $897,215 which are not reflected in the below amounts.

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, 2019:

		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	$ 2,491,893	$ -	$ 2,491,893	$ -
Mortgages and leases	3,045,827	-	3,045,827	-
Corporate obligations	5,663,228	-	5,663,228	-
Balanced mutual funds	414,857	414,857	-	-
Fixed income - mutual funds	1,655,713	1,639,528	16,185	-
Short-term investments	2,097,946	2,097,946	-	-
Total Assets at Fair Value	15,369,464	4,152,331	11,217,133	-
Investments at net asset value				
Private investment funds	60,478,409			
Total Investments at estimated Fair Value	$ 75,847,873			

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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, 2018:

		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	$ 2,127,145	$ -	$ 2,127,145	$ -
Mortgages and leases	2,565,279	-	2,565,279	-
Corporate obligations	5,659,662	-	5,659,662	-
Balanced mutual funds	1,720,668	1,720,668	-	-
Fixed income - mutual funds	1,273,885	1,233,108	40,777	-
Short-term investments	572,874	572,874	-	-
Total Assets at Fair Value	13,919,513	3,526,650	10,392,863	-
Investments at net asset value				
Private investment funds	64,108,344			
Total Investments at estimated Fair Value	$ 78,027,857			

As of September 30, 2018, the Foundation had four investments recorded at cost totaling $654,128 with fair value of $1,202,879 which are not reflected in the above amounts.

Note 9 – Related Party Transactions

The Foundation owns the hospital building and leases it to a subsidiary of Encompass Health. The President of the Southeastern Region of Encompass Health is a member of the Foundation's Board of Directors. The total amount of lease payments received from Encompass Health in 2019 was $3,572,026.

The Foundation entered into a contract for campus construction projects with Hoar Construction. The President of Hoar Holdings, LLC is also a member of the Foundation's Board of Directors. The total amount paid to Hoar during fiscal year 2019 was $5,412,136.

The Foundation leases a portion of the Magnolia Building to The Children's Hospital of Alabama. The Chief Operating Officer of The Children's Hospital of Alabama is the Chairman of the Foundation's Board of Directors. The total amount of lease payments received from Children's Hospital of Alabama in 2019 was $93,314.

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 in 2019 totaled $51,838.

Note 9 – Related Party Transactions (continued)

The Foundation paid Regions Financial Corporation bond trustee fees of $7,525, interest of $237,193, and investment fees of $28,085. A Senior Executive Vice-President of the bank is a member of the Foundation's Board of Directors.

The Foundation also has transactions with utility, telecommunications 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 – Line of Credit

In 2017 Lakeshore Foundation entered into an operating line of credit agreement with a banking institution which provided that the Foundation could borrow up to $8,000,000. The original line of credit expired on October 5, 2018 and was renewed for borrowing up to $6,837,823 with an expiration and due date of October 31, 2019. As of September 30, 2019, there was no outstanding debt on the line of credit, and the Foundation opted not to renew the line of credit at the renewal date.

Note 11 – 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	$ 1,174,358
Pledges receivable for operations	18,150
Accounts receivable	428,164
Investments available for operations	4,362,805
Financial assets available to meet general expenditures withing one year	$ 5,983,477

Investments available for operations of $4,362,805 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, 2020 fiscal year.

Note 12 – Subsequent Events

The Foundation has evaluated subsequent events through January 6, 2020, the date the financial statements were available to be issued.

BORLAND | BENEFIELD

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, 2019. 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, 2019.

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 6, 2020

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, 2019, 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 6, 2020.

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
January 6, 2020

LAKESHORE FOUNDATION AND AFFILIATE

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

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			
National Institute on Disability and Rehabilitation Research	84.133A	164965	$ 1,178,101
Child Health & Human Development Extramural Research	93.865	164965	119,041
Scaling the National Diabetes Prevention Program to Priority Populations	93.261	5NU58DP006363-02	96,988
Trans-NIH Research Support	93.310	OT2OD023206	37,500
Alabama Department of Health			
Disabilities Prevention	93.184	6NU27DD000017-04-01	12,889
Disabilities Prevention	93.184	6NU27DD000017-03	30,433
Georgia Department of Health			
State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	93.435	NU58DP006623	8,098
Total U.S. Department of Health & Human Services			1,483,050
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	2019-ASG-47, 2018-ASG-45	29,833
VA Assistance to U.S. Paralympic Integrated Adaptive Sports Program - Operation Perseverance	64.034	2018-ASG-46	552
Total U.S. Department of Veteran Affairs			30,385
U.S. Department of Energy			
Alabama Department of Economic and Community Affairs			
State Energy Program	81.041	2502	14,904
Total Expenditures of Federal Awards			$ 1,528,339

LAKESHORE FOUNDATION AND AFFILIATE

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

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, 2019. 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 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, 2019

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
CFDA# 84.133A - 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