LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Financial Statements

For the Years Ended
September 30, 2024 and 2023

LAKESHORE FOUNDATION AND AFFILIATES

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BORLAND | BENEFIELD

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lakeshore Foundation and Affiliates

Opinion

We have audited the accompanying consolidated financial statements of Lakeshore Foundation and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lakeshore Foundation and Affiliates as of September 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lakeshore Foundation and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeshore Foundation and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Summarized Comparative Information

We have previously audited Lakeshore Foundation and Affiliates' 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Borland Benefield, P.C.
Birmingham, Alabama
January 13, 2025

LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Statement of Financial Position
As of September 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 1,431,888	$ 1,878,732
Short-term investments	430,965	440,353
Pledges receivable - net of allowance for uncollectible pledges of $1,800 in 2024 and $7,000 in 2023	356,804	74,482
Accounts receivable	104,031	333,613
Interest receivable	32,196	26,988
Retirement plan assets	736,256	577,045
Prepaid expenses and other	102,611	74,201
Total Current Assets	3,194,751	3,405,414
Long-Term Assets		
Investments	81,564,282	71,512,804
Restricted cash	130,413	125,378
Pledges receivable - net of allowance for uncollectible pledges of $0 in 2024 and $500 in 2023	253,615	3,957
Property, plant and equipment, net	33,746,054	34,875,931
Initial cost of lease - net of accumulated amortization of $26,318 in 2024 and $21,424 in 2023	40,453	45,347
Right-of-use assets - net of accumulated amortization of $126,786 in 2024 and $107,747 in 2023	15,472	17,540
Total Long-Term Assets	115,750,289	106,580,957
Total Assets	$ 118,945,040	$ 109,986,371
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	$ 268,597	$ 361,028
Other accrued liabilities	1,374,662	1,156,452
Accrued interest	79,951	93,153
Deferred revenue	99,118	122,845
Current portion of long-term debt	1,316,364	1,807,252
Total Current Liabilities	3,138,692	3,540,730
Long-term debt, less current maturities	6,594,986	7,880,892
Total Liabilities	9,733,678	11,421,622
Net Assets		
Without donor restrictions	108,030,018	97,873,416
With donor restrictions	1,181,344	691,333
Total Net Assets	109,211,362	98,564,749
Total Liabilities and Net Assets	$ 118,945,040	$ 109,986,371

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Statement of Activities and Change in Net Assets
For the Year Ended September 30, 2024
With Summarized Financial Information
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total	2023
Public Support and Revenues				
Contributions, grants and sponsorships	$ 1,931,599	$ 822,434	$ 2,754,033	$ 3,269,688
Fundraising events	326,015	-	326,015	114,260
Contributions of nonfinancial assets	33,967	-	33,967	41,107
Memberships	712,238	-	712,238	621,212
Fees and contracts	265,485	-	265,485	154,064
Rental income	4,769,601	-	4,769,601	4,703,992
Investment income, net	580,214	-	580,214	520,417
Unrealized gain on investments	12,077,896	-	12,077,896	7,245,111
Realized gain on sale of investments	2,715,729	-	2,715,729	120,100
Interest income	43,717	-	43,717	43,063
Other	15,364	-	15,364	12,874
Net assets released from restrictions	332,423	(332,423)	-	-
Total Public Support and Revenues	23,804,248	490,011	24,294,259	16,845,888
Expenses				
Program Activities	7,337,299	-	7,337,299	6,970,689
Research	1,040,489	-	1,040,489	1,338,362
Sports Science and Performance Center (SSPC)	1,182,564	-	1,182,564	879,687
Advocacy and Policy	495,358	-	495,358	434,220
Advancement	816,884	-	816,884	834,130
Communications	571,945	-	571,945	450,878
Management and General	1,778,458	-	1,778,458	1,721,787
Rental	424,649	-	424,649	403,277
Total Expenses	13,647,646	-	13,647,646	13,033,030
Change in Net Assets	10,156,602	490,011	10,646,613	3,812,858
Net Assets, Beginning of Year	97,873,416	691,333	98,564,749	94,751,891
Net Assets, End of Year	$ 108,030,018	$ 1,181,344	$ 109,211,362	$ 98,564,749

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2024
With Summarized Financial Information
For the Year Ended September 30, 2023

	Program Activities	Research	SSPC	Advocacy & Policy	Advancement	Communications	Management & General	Rental	Total	2023
Expenses										
Salaries	$ 2,720,645	$ 538,682	$ 338,803	$ 149,247	$ 400,152	$ 295,850	$ 1,169,593	$ -	$ 5,612,972	$ 5,291,703
Benefits	548,140	114,754	73,108	28,850	84,386	64,562	245,953	-	1,159,753	1,141,944
Supplies and general expenses	235,980	6,414	137,880	9,615	4,718	3,911	23,676	966	423,160	242,123
Printing, postage and copy expenses	21,396	168	2,833	6,682	5,621	3,305	9,980	-	49,985	45,005
Payroll, bank fees and background checks	12,162	12	187	29	2,299	1	53,900	-	68,590	61,490
Business meals and travel	496,831	20,914	93,877	19,261	34,983	5,671	36,320	-	707,857	620,715
Dues, conferences and meetings	35,827	8,629	16,159	16,624	7,131	3,464	7,848	-	95,682	113,226
Legal and accounting	3,078	-	-	-	-	-	103,144	-	106,222	107,764
Professional fundraising	-	-	-	38,333	25,000	-	-	-	63,333	212,500
Strategic plan expenses	43,299	33,198	3,457	2,430	31,218	3,681	15,315	-	132,598	106,579
Purchased services	264,025	71,747	238,649	155,657	90,276	92,188	11,225	-	923,767	716,698
Advertising, publications and public awareness	29,153	13,460	27,850	31,118	34,815	55,226	602	-	192,224	68,893
Equipment	51,040	9,363	20,540	2,804	11,201	14,607	16,910	-	126,465	256,011
Telephone, internet and cable	27,281	14,562	2,216	1,089	1,019	1,152	3,494	-	50,813	89,055
Information technology	50,217	27,432	9,822	5,187	34,331	7,974	48,396	-	183,359	219,321
Landscaping	158,207	10,896	12,749	1,302	2,681	1,164	1,931	2,150	191,080	204,271
Laundry	5,106	352	411	42	87	38	62	-	6,098	6,837
Utilities	618,876	42,622	49,871	5,093	10,486	4,554	7,554	132,884	871,940	871,270
Interest and bond admin expense	177,198	12,204	14,279	1,458	3,002	1,304	2,161	-	211,606	255,586
Depreciation and amortization	1,342,646	92,469	108,194	11,048	22,750	9,879	16,389	133,170	1,736,545	1,663,299
Insurance	217,726	14,995	17,545	1,792	4,022	1,602	2,657	79,018	339,357	361,370
Repairs and maintenance, rental, pest control	278,466	7,616	14,134	7,697	6,706	1,812	1,348	76,461	394,240	377,370
Total Expenses	$ 7,337,299	$ 1,040,489	$ 1,182,564	$ 495,358	$ 816,884	$ 571,945	$ 1,778,458	$ 424,649	$ 13,647,646	$ 13,033,030

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Statement of Cash Flows
For the Years Ended September 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	$ 10,646,613	$ 3,812,858
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Net amortization of debt issue costs and bond premiums and discount	22,151	20,766
Depreciation	1,714,354	1,642,493
Unrealized (gain) on investments	(12,077,896)	(7,245,111)
Realized (gain) on sale of investments	(2,715,729)	(120,100)
Permanently restricted contributions received	(330)	(505)
Restricted contributions for capital, net	3,587	(5,606)
Change in operating assets and liabilities:		
Pledges receivable	(599,081)	(6,750)
Accounts receivable	229,582	136,363
Interest receivable	(5,208)	5,287
Prepaid expenses and other	(28,410)	78,825
Accounts payable	(92,429)	33,416
Other accrued liabilities	218,209	(74,802)
Deferred revenue	(23,727)	(69,436)
Accrued interest payable	(13,202)	(12,985)
Net Cash (Used) by Operating Activities	(2,721,516)	(1,805,287)
Cash Flows from Investing Activities		
Purchase of investments	(35,408,840)	(33,307,828)
Proceeds from sale of investments	39,991,774	37,782,189
Net change in short-term investments	9,389	393,651
Net change in restricted cash	(4,705)	531,134
Purchases of property and equipment	(583,299)	(1,441,306)
Net Cash Provided by Investing Activities	$ 4,004,319	$ 3,957,840

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Statement of Cash Flows (continued)
For the Years Ended September 30, 2024 and 2023

	2024	2023
Cash Flows from Financing Activities		
Repayment of principal amounts	$ (1,791,094)	$ (1,770,715)
Finance lease principal payments	(2,067)	(15,407)
Restricted capital campaign, net proceeds	63,514	250,726
Net Cash (Used) by Financing Activities	(1,729,647)	(1,535,396)
Net Change in Cash and Cash Equivalents	(446,844)	617,157
Cash and Cash Equivalents, Beginning of Year	1,878,732	1,261,575
Cash and Cash Equivalents, End of Year	$ 1,431,888	$ 1,878,732
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 224,804	$ 262,105

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 affiliates, Lakeshore Support Organization, and Lakeshore National Adapted Sports 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 healthcare facilities in Jefferson County, Alabama. Lakeshore Foundation raises, manages, and expends funds for these purposes. Lakeshore Support Organization holds and manages certain investments. Lakeshore National Adapted Sports Organization serves as the national governing body for boccia and wheelchair rugby in the United States as certified by the United States Olympic and Paralympic Committee (USOPC).

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

Consolidated Financial Statements – The consolidated financial statements include the accounts of the Lakeshore Foundation, Lakeshore Support Organization, and Lakeshore National Adapted Sports Organization, related tax-exempt entities. 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, along with 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 donor-restricted net assets due to inherent time restriction. Estimated future cash flows to be received after one year are discounted using a discount rate of 3.5 percent. Amortization of the discounts is included in contribution revenue.

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

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

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

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

The 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, 2024.

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, 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, Lakeshore Support Organization, and Lakeshore National Adapted Sports Organization are nonprofit organizations exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC).

The Lakeshore Foundation, Lakeshore Support Organization, and Lakeshore National Adapted Sports Organization have determined that they do not have any tax positions on September 30, 2024 that they would be unable to substantiate. Tax returns for the Lakeshore Foundation and the Lakeshore Support Organization for the fiscal year 2020 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 of investment securities will occur in the near term, which could materially affect the Foundation's net assets.

Right-of-Use Assets - 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, 2021. Management elected to proceed with the early implementation of the ASU.

Note 1 – Summary of Significant Accounting Policies (continued)

The total amount of the ROU net of accumulated amortization as of September 30, 2024 was $15,472.

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, the 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 on September 30, 2024 and 2023.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Contributions of Nonfinancial Assets – Noncash donations are recorded as contributions at their estimated fair values at the date of donation. For details on the contributed nonfinancial assets received by the Foundation during the year ended September 30, 2024, see Note 10.

Note 2 – Pledges Receivable

Pledges receivable on September 30 consist of the following:

	2024	2023
Unconditional promises to give	$ 623,471	$ 86,169
Less: allowance for uncollectible accounts	1,800	7,500
Less: adjustment for net present value	11,252	230
Net unconditional promises to give	$ 610,419	$ 78,439

The expected collection of pledges receivable on September 30, 2024, is as follows:

Less than one year	$ 358,604
One to five years	264,867
Total unconditional promises to give	$ 623,471

Note 3 – Property, Plant and Equipment

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

	2024	2023
Land	$ 211,176	$ 211,176
Land improvements	8,065,905	8,010,024
Major moveable equipment	2,835,479	2,616,886
Buildings and improvements	54,929,271	54,718,517
Fixed equipment	7,036,516	6,993,010
Construction in progress	24,056	6,014
Total property and equipment	73,102,403	72,555,627
Less: Accumulated depreciation	39,356,349	37,679,696
Total Property and Equipment, Net	$ 33,746,054	$ 34,875,931

Note 4 – Investments

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

	2024		2023	
	Cost or Amortized Cost	Carrying Value	Cost or Amortized Cost	Carrying Value
Short term investments:	$ 430,965	$ 430,965	$ 440,353	$ 440,353
Long-term investments:				
U.S. Government and agency securities	2,841,403	2,681,328	2,866,364	2,474,094
Corporate obligations	2,251,187	2,161,861	2,111,014	1,883,522
Fixed income - mutual funds	4,742,376	4,597,347	4,668,595	4,310,693
Equity mutual funds	8,748,099	9,604,613	-	-
Private investment funds:				
Private equity funds	29,305,953	41,302,676	40,296,024	42,629,784
Fixed income funds	3,585,142	3,700,268	3,585,142	3,304,368
Hedge funds	5,805,493	7,227,263	5,805,493	6,546,825
Alternative funds	8,043,903	10,288,926	8,017,342	10,363,518
Total Long-term investments	65,323,556	81,564,282	67,349,974	71,512,804
Total Investments	$ 65,754,521	$ 81,995,247	$ 67,790,327	$ 71,953,157

Note 4 – Investments (continued)

The Foundation holds eight alternative and hedge/pooled funds reported above on September 30, 2024 and eight on September 30, 2023, which are limited partnerships, commingled funds, or similar arrangements.

The hedge/pooled fund investments are mainly fund-of-funds investments and accordingly, due to the structure, flexibility and lower level of regulatory oversight may create additional exposure to investment risk. The fund managers hold these rated or unrated investments, which consist of long/short equity hedge funds (domestic and international), distressed/credit, or other investment opportunities.

Alternative investments and hedge/pooled funds were recorded at net asset value totaling $17,516,189 with a net unrealized gain of $3,665,406.

Two investments included in the alternative funds category have multi-year lock-up periods and cannot be redeemed before the manager dissolves the fund. The other investments included in this category have redemption notice periods that range from quarterly to semi-annually. The fair values of these investments have been estimated using the net asset value per share of the investment. Unfunded commitments as of September 30, 2024 and September 30, 2023 totaled $586,550 and $604,986, respectively.

Note 5 – Long-term Debt

The Medical Clinic Board of the City of Homewood (Board) issued its $5,867,500 Lease Revenue Bond (Series 2013 Bond) in November 2013 for the benefit of the Foundation. The Series 2013 Bond was issued to refinance the Board's Series 2005 Lease Revenue Bonds also 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 on November 1 and May 1 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 Board also issued its Lease Revenue Bond (Series 2017-B Bond) in an aggregate principal amount not to exceed $10,000,000 for the benefit of the Foundation 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 on the Series 2017-B Bond is payable annually on each November 1 beginning November 1, 2019; interest is payable semi-annually on each November 1 and May 1 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 not less than 1.5 times the outstanding aggregate principal amount of funded debt.

Note 5 – Long-term Debt (continued)

In November 2020, the Foundation entered into an operating lease for office equipment payable at $1,387 per month for 48 months. Additionally, in January 2024, the Foundation entered into another operating lease for office equipment, with monthly payments of $399 for a term of 48 months. Both leases were capitalized as per the new leasing standard in ASU 2016-02 (“Topic 842” or the new standard) which the Foundation adopted in fiscal year 2021. The leases are presented as “Right-of-Use Assets” on the asset side of the Statement of Financial Position while the related liabilities are reflected in the current and long-term liabilities.

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

	2024	2023
Lease Revenue Bonds, Series 2013, with interest at 2.65%, payments due annually through 2024	$ 103,023	$ 708,084
Lease Revenue Bonds, Series 2017-A, with interest at 2.33%, payments due annually through 2024	516,500	1,019,500
Lease Revenue Bonds, Series 2017-B, with interest at 1.77% to 2.15%, payments beginning November 2019 due annually through 2033	7,308,530	7,991,563
Right-of-use-assets	15,473	17,540
Total Debt	7,943,526	9,736,687
Unamortized debt issuance costs	(32,176)	(48,543)
Total Debt, net	7,911,350	9,688,144
Less: Current portion	1,316,364	1,807,252
Total Long-Term Debt, net	$ 6,594,986	$ 7,880,892

Future principal maturities of long-term debt on September 30, 2024, and for the next 5 years and thereafter are as follows:

2025	$ 1,316,364
2026	704,190
2027	713,040
2028	718,353
2029	725,966
Thereafter	3,765,613
Total Debt	$ 7,943,526

The fair market value of bonds payable, which is estimated using current trade rates, was approximately $6,594,986 and $$7,880,892 at September 30, 2024 and 2023, respectively.

Note 5 – Long-term Debt (continued)

Interest cost expensed for the years ended September 30, 2024 and 2023, was $211,603 and $255,582, 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 Lakeshore Research Facility to the University of Alabama at Birmingham under a noncancelable operating lease that expires July 31, 2028. The lessee has two options to renew the lease term for five additional years each.

The Foundation leases 7,298 square feet of office and clinical space located in the Magnolia Building to Children's of Alabama under a noncancelable operating lease that expires on January 31, 2028. 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, 2026.

The Foundation leases approximately 2,958 square feet of office and clinical space located in the 3840 building to Matthew Remick Psychology, LLC under a ten-year noncancellable lease that expires on February 29, 2032.

The Foundation leases the property on its campus that is occupied by a cell tower to Crown Castle South, LLC on behalf of AT&T. This non-cancellable lease expires on April 30, 2026. The lessee has three options to renew the lease term, each for an additional five years.

The following is a schedule by year of minimum future rentals on non-cancelable operating leases as of September 30, 2024:

2025	$ 4,840,120
2026	4,922,248
2027	4,945,634
2028	4,826,511
2029	4,435,161
Thereafter	23,315,043
Total	$ 47,284,717

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:

	2024	2023
Land improvements	$ 1,020,889	$ 1,020,889
Major moveable equipment	272,866	272,866
Buildings and improvements	13,868,494	13,746,988
Fixed equipment	6,210,506	6,210,506
Total property and equipment	21,372,755	21,251,249
Less: Accumulated depreciation	17,670,420	17,546,572
Total Property and Equipment, Net	$ 3,702,335	$ 3,704,677

Note 7 – Net Assets With Donor Restrictions

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

	2024	2023
Purpose restrictions:		
Capital projects	$ 37	$ 77,869
Fund programs for the disabled	1,055,600	488,086
Scholarships for members	125,707	125,378
Total Net Assets With Donor Restrictions	$ 1,181,344	$ 691,333

The above restricted net assets include $610,419 of net pledges receivable also restricted for time as of September 30, 2024 and $78,439 as of September 30, 2023.

Note 8 – Fair Value Measurements

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

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

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

The following fair value hierarchy table presents information about the Foundation's assets measured or disclosed at fair value on a recurring basis as of September 30, 2024:

Note 8 – Fair Value Measurements (continued)

		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	$ 1,221,888	$ -	$ 1,221,888	$ -
Mortgages and leases	1,459,440	-	1,459,440	-
Corporate obligations	2,161,861	-	2,161,861	-
Equity mutual funds	9,604,613	9,604,613	-	-
Fixed income - mutual funds	4,597,347	4,597,347	-	-
Short-term investments	430,965	430,965	-	-
Total Assets at Fair Value	19,476,114	14,632,925	4,843,189	-
Investments at net asset value				
Private investment funds	62,519,133			
Total Investments at estimated Fair Value	$ 81,995,247			

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, 2023:

Assets	**Fair Value**	**Active Markets Level 1**	**Observable Inputs Level 2**	**Unobservable Inputs Level 3**
Investments:				
U.S. Government agencies	$ 1,166,150	$ -	$ 1,166,150	$ -
Mortgages and leases	1,307,944	-	1,307,944	-
Corporate obligations	1,883,522	-	1,883,522	-
Equity mutual funds	-	-	-	-
Fixed income - mutual funds	4,310,693	4,310,693	-	-
Short-term investments	440,353	440,353	-	-
Total Assets at Fair Value	9,108,662	4,751,046	4,357,616	-
Investments at net asset value				
Private investment funds	62,844,495			
Total Investments at estimated Fair Value	$ 71,953,157			

Note 9 – Related Party Transactions

The Foundation owns the hospital building and leases it to a subsidiary of Encompass Health. The President, South Central Region of Encompass Health is a member of the Foundation's Board of Directors. The total amount of lease payments received from Encompass Health during fiscal year 2024 was $3,943,806.

The Foundation leases the Magnolia Building to Children's of Alabama. The President and Chief Executive Officer of Children's of Alabama is a member of the Foundation's Board of Directors. The total amount of lease payments received from Children's of Alabama in 2024 was $184,810.

The Foundation paid legal fees to Balch & Bingham law firm, where two partners are also members of the Foundation's Board of Directors. The total amount of the legal fees paid to the firm in 2024 totaled $63,573, which includes $5,735 for bond counsel and $57,838 for general services.

The Foundation paid Regions Financial Corporation (Regions) bond trustee fees of $8,250, bond interest payments of $193,066, and investment management services of $13,794. The Chief Administrative and Human Resources Officer of Regions is a member of the Foundation's Board of Directors.

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

Note 10 – Contributions of Nonfinancial Assets

The Foundation received the following contributions of nonfinancial assets for the year ended September 30, 2024:

Equipment	$	3,004
Fundraising services and supplies		10,020
Program supplies and services		20,943
Total	$	33,967

The Foundation's policy related to contributed nonfinancial assets is to utilize these assets to further its mission.

The Foundation received donated equipment and services with an estimated fair market value of $3,004 and $20,943, respectively, for the operation of their programs.

Additionally, the Foundation received donated supplies and services with an estimated fair market value of $2,520 and $7,500 for a fundraising event, proceeds of which were used to support the ongoing programs.

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:

	2024	2023
Cash and cash equivalents	$ 1,431,888	$ 1,878,732
Pledges receivable for operations	356,804	78,439
Accounts receivable	104,031	333,613
Investments available for operations	4,893,918	5,467,193
Total financial assets available for general expenditures within one year	$ 6,786,641	$ 7,757,977

Investments available for operations of $4,893,918 consist 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, 2025 fiscal year.

Note 12 – Subsequent Events

The Foundation has evaluated subsequent events through January 13, 2025, the date the consolidated financial statements were available to be issued.

On November 2, 2024, the Foundation has entered into a lease agreement with a tenant for one of its buildings. The lease is contingent upon the completion of tenant improvements by the Foundation prior to occupancy. On May 10, 2024, the Executive Committee of the Foundation's Board of Directors approved these improvements and authorized the expenditure of funds not to exceed $2 million for the renovation of the building, which is expected to be completed by August 2025.