LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Financial Statements

For the Years Ended
September 30, 2025 and 2024

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, 2025, 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, 2025, 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' 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 13, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, 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 12, 2026

LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Statement of Financial Position
As of September 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 1,971,290	$ 1,431,888
Short-term investments	678,080	430,965
Pledges receivable - net of allowance for uncollectible pledges of $3,200 in 2025 and $1,800 in 2024	308,986	356,804
Accounts receivable	216,874	104,031
Interest receivable	33,026	32,196
Retirement plan assets	836,032	736,256
Prepaid expenses and other	145,276	102,611
Total Current Assets	4,189,564	3,194,751
Long-Term Assets		
Investments	85,816,935	81,564,282
Restricted cash	126,818	130,413
Pledges receivable - net of allowance for uncollectible pledges of $0 in 2025 and $0 in 2024	63,991	253,615
Property, plant and equipment, net	32,968,097	33,746,054
Initial cost of lease - net of accumulated amortization of $31,211 in 2025 and $26,318 in 2024	72,747	40,453
Right-of-use assets - net of accumulated amortization of $132,215 in 2025 and $126,786 in 2024	10,043	15,472
Total Long-Term Assets	119,058,631	115,750,289
Total Assets	$ 123,248,195	$ 118,945,040
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	$ 202,080	$ 268,597
Other accrued liabilities	1,535,312	1,374,662
Accrued interest	68,715	79,951
Deferred revenue	421,766	99,118
Current portion of long-term debt	1,025,339	1,316,364
Total Current Liabilities	3,253,212	3,138,692
Long-term debt, less current maturities	5,896,390	6,594,986
Total Liabilities	9,149,602	9,733,678
Net Assets		
Without donor restrictions	113,187,851	108,030,018
With donor restrictions	910,742	1,181,344
Total Net Assets	114,098,593	109,211,362
Total Liabilities and Net Assets	$ 123,248,195	$ 118,945,040

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, 2025
With Summarized Financial Information
For the Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total	2024
Public Support and Revenues				
Contributions, grants and sponsorships	$ 2,002,228	$ 339,833	$ 2,342,061	$ 2,754,033
Fundraising events	176,419	-	176,419	326,015
Contributions of nonfinancial assets	16,579	-	16,579	33,967
Memberships	793,687	-	793,687	712,238
Fees and contracts	622,825	-	622,825	265,485
Rental income	4,887,581	-	4,887,581	4,769,601
Investment income, net	450,424	-	450,424	580,214
Unrealized gain on investments	4,987,144	-	4,987,144	12,077,896
Realized gain on sale of investments	3,943,051	-	3,943,051	2,715,729
Interest income	28,344	-	28,344	43,717
Other	7,999	-	7,999	15,364
Net assets released from restrictions	610,435	(610,435)	-	-
Total Public Support and Revenues	18,526,716	(270,602)	18,256,114	24,294,259
Expenses				
Program Activities	7,181,119	-	7,181,119	7,337,299
Research and Community Health	1,132,689	-	1,132,689	1,040,489
Sports Science and Performance Center (SSPC)	1,057,319	-	1,057,319	1,182,564
Advocacy and Policy	410,645	-	410,645	495,358
Advancement	871,221	-	871,221	816,884
Communications	572,709	-	572,709	571,945
Management and General	1,706,065	-	1,706,065	1,778,458
Rental	437,116	-	437,116	424,649
Total Expenses	13,368,883	-	13,368,883	13,647,646
Change in Net Assets	5,157,833	(270,602)	4,887,231	10,646,613
Net Assets, Beginning of Year	108,030,018	1,181,344	109,211,362	98,564,749
Net Assets, End of Year	$ 113,187,851	$ 910,742	$ 114,098,593	$ 109,211,362

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2025
With Summarized Financial Information
For the Year Ended September 30, 2024

	Program Activities	Research & Community Health	SSPC	Advocacy & Policy	Advancement	Communications	Management & General	Rental	Total	2024
Expenses										
Salaries	$ 2,695,171	$ 562,737	$ 353,862	$ 160,706	$ 471,951	$ 340,102	$ 1,139,705	$ -	$ 5,724,234	$ 5,612,972
Benefits	561,366	123,945	78,251	30,368	103,077	76,204	242,305	-	1,215,516	1,159,753
Supplies and general expenses	159,995	48,193	5,289	523	5,533	404	19,386	67	239,390	423,160
Printing, postage and copy expenses	10,460	84	610	5,543	9,747	3,297	7,517	-	37,258	49,985
Payroll, bank fees and background checks	13,203	18	692	2	2,928	2	57,051	-	73,896	68,590
Business meals and travel	488,498	1,405	56,140	9,113	24,303	343	24,750	-	604,552	707,857
Dues, conferences and meetings	30,985	2,677	16,046	22,097	25,445	3,030	8,869	-	109,149	95,682
Legal and accounting	4,461	-	-	-	-	-	70,595	-	75,056	106,222
Professional fundraising and lobbying	-	-	-	30,000	30,000	-	-	-	60,000	63,333
Strategic plan expenses	41,666	32,773	3,414	1,319	2,023	2,554	7,610	-	91,359	132,598
Purchased services	268,116	121,337	257,114	74,513	60,650	35,226	35,508	-	852,464	923,767
Advertising, publications and public awareness	26,389	9,764	6,150	46,328	28,440	80,571	1,581	-	199,223	192,224
Equipment	96,491	13,765	43,967	4,986	704	3,296	3,052	-	166,261	126,465
Telephone, internet and cable	30,443	16,242	2,449	710	1,133	1,287	3,713	-	55,977	50,813
Information technology	59,803	24,743	5,136	3,527	61,039	7,697	53,506	-	215,451	183,359
Landscaping	144,725	9,967	11,662	1,191	2,452	1,065	1,766	-	172,828	191,080
Laundry	3,178	219	256	26	54	23	39	-	3,795	6,098
Utilities	620,748	42,751	50,022	5,108	10,518	4,567	7,576	124,255	865,545	871,940
Interest and bond admin expense	142,582	9,820	11,490	1,173	2,416	1,049	1,738	-	170,268	211,606
Depreciation and amortization	1,339,973	92,286	107,979	11,027	22,704	9,859	16,356	140,992	1,741,176	1,736,545
Insurance	210,773	14,516	16,985	1,734	3,621	1,551	2,573	86,826	338,579	339,357
Repairs and maintenance, rental, pest control	232,093	5,447	29,805	651	2,483	582	869	84,976	356,906	394,240
Total Expenses	$ 7,181,119	$ 1,132,689	$ 1,057,319	$ 410,645	$ 871,221	$ 572,709	$ 1,706,065	$ 437,116	$ 13,368,883	$ 13,647,646

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Statement of Cash Flows
For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	$ 4,887,231	$ 10,646,613
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	6,513	22,151
Depreciation	1,734,620	1,714,354
Unrealized (gain) on investments	(4,987,144)	(12,077,896)
Realized (gain) on sale of investments	(3,943,051)	(2,715,729)
Permanently restricted contributions received	(260)	(330)
Restricted contributions for capital, net	-	3,587
Change in operating assets and liabilities:		
Pledges receivable	237,404	(599,081)
Accounts receivable	(112,843)	229,582
Interest receivable	(830)	(5,208)
Prepaid expenses and other	(42,666)	(28,410)
Accounts payable	(66,519)	(92,429)
Other accrued liabilities	160,651	218,209
Deferred revenue	322,649	(23,727)
Accrued interest payable	(11,236)	(13,202)
Net Cash (Used) by Operating Activities	(1,815,481)	(2,721,516)
Cash Flows from Investing Activities		
Purchase of investments	(42,665,460)	(35,408,840)
Proceeds from sale of investments	47,243,227	39,991,774
Net change in short-term investments	(247,115)	9,389
Net change in restricted cash	3,855	(4,705)
Purchases of property and equipment	(994,687)	(583,299)
Proceeds from sale of property & equipment	10,240	-
Net Cash Provided by Investing Activities	$ 3,350,060	$ 4,004,319

See accompanying notes to financial statements.

LAKESHORE FOUNDATION AND AFFILIATES

Consolidated Statement of Cash Flows (continued)
For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows from Financing Activities		
Repayment of principal amounts	$ (1,310,935)	$ (1,791,094)
Proceeds from construction line of credit	321,150	-
Finance lease principal payments	(5,429)	(2,067)
Restricted capital campaign, net proceeds	37	63,514
Net Cash (Used) by Financing Activities	(995,177)	(1,729,647)
Net Change in Cash and Cash Equivalents	539,402	(446,844)
Cash and Cash Equivalents, Beginning of Year	1,431,888	1,878,732
Cash and Cash Equivalents, End of Year	$ 1,971,290	$ 1,431,888
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 181,502	$ 224,804

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 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. Lakeshore National Adapted Sports Organization serves as the national governing body (NGB) for boccia, wheelchair rugby, and para powerlifting 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. Lakeshore Foundation's Board of Directors also have the ability to appoint the majority of the Board of Directors for the Lakeshore National Adapted Sports 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 a 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 the inherent time restriction. Estimated future cash flows to be received after one year are discounted using a discount rate of three and one-half 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 movable 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, 2025.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 management and general, advancement, communications, advocacy and policy, research, SSPC, and program activities 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, 2025 that they would be unable to substantiate. Tax returns for the Lakeshore Foundation and the Lakeshore Support Organization for the fiscal year 2021 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Right-of-Use Assets - The Foundation has leased equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under FASB ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in assets as right-of-use ("ROU") assets and in the liabilities as ROU liabilities in the consolidated statement of financial position. Finance leases are included in property and equipment and liabilities in the consolidated statement of financial position. Leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily determinable.

If the Foundation's leases do not provide an implicit rate to determine the present value of lease payments, management uses the Foundation's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option. The Foundation has lease agreements with lease and non-lease components, which are generally accounted for separately, with amounts allocated to the lease and non-lease components based on stand-alone prices.

The total amount of the ROU asset net of accumulated amortization as of September 30, 2025 was $10,043.

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:

Note 1 – Summary of Significant Accounting Policies (continued)

- 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, 2025 and 2024.

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 is categorized within Level 2 of the fair value hierarchy.

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

Some of the Foundation's financial instruments are not measured at fair value on a recurring basis. However, these instruments are carried at amounts that approximate fair value due to their liquid, or short-term, nature. Such financial assets and financial liabilities include pledges receivable, accounts receivable, 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, 2025, see Note 10.

Note 2 – Pledges Receivable

Pledges receivable on September 30 consist of the following:

	2025	2024
Unconditional promises to give	$ 380,186	$ 623,471
Less: allowance for uncollectible accounts	3,200	1,800
Less: adjustment for net present value	4,009	11,252
Net unconditional promises to give	$ 372,977	$ 610,419

The expected collection of pledges receivable on September 30, 2025, is as follows:

Less than one year	$ 312,186
One to five years	68,000
Total unconditional promises to give	$ 380,186

Note 3 – Property, Plant and Equipment

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

	2025	2024
Land	$ 211,176	$ 211,176
Land improvements	8,095,231	8,065,905
Major moveable equipment	2,974,192	2,835,479
Buildings and improvements	55,019,389	54,929,271
Fixed equipment	7,032,005	7,036,516
Construction in progress	587,840	24,056
Total property and equipment	73,919,833	73,102,403
Less: Accumulated depreciation	40,951,736	39,356,349
Total Property and Equipment, Net	$ 32,968,097	$ 33,746,054

Note 4 – Investments

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

	2025		2024	
	Cost or Amortized Cost	Carrying Value	Cost or Amortized Cost	Carrying Value
Short term investments:	$ 678,080	$ 678,080	$ 430,965	$ 430,965
Long-term investments:				
U.S. Government and agency securities	2,870,273	2,659,658	2,841,403	2,681,328
Corporate obligations	2,348,558	2,294,102	2,251,187	2,161,861
Fixed income mutual funds	5,686,144	5,577,628	4,742,376	4,597,347
Equity mutual funds	1,264	1,607	8,748,099	9,604,613
Private investment funds:				
Private equity funds	37,303,149	54,159,470	29,305,953	41,302,676
Fixed income funds	3,585,142	3,820,810	3,585,142	3,700,268
Hedge funds	5,805,493	7,802,670	5,805,493	7,227,263
Alternative funds	6,989,041	9,500,990	8,043,903	10,288,926
Total Long-term investments	64,589,064	85,816,935	65,323,556	81,564,282
Total Investments	$ 65,267,144	$ 86,495,015	$ 65,754,521	$ 81,995,247

The Foundation holds seven alternative and hedge/pooled funds reported above on September 30, 2025 and eight on September 30, 2024, 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 $17,303,661 with a net unrealized gain of $4,509,127.

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, 2025 and September 30, 2024 totaled $589,250 and $586,550, 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, was 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 were paid in full on 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 were paid in full on 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 the seventh anniversary of the beginning of the fixed rate period, 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 while the Series 2017-B Bonds remain outstanding.

In January 2024, the Foundation entered into operating lease to upgrade one piece of office equipment, with monthly payments of $399 for a term of 48 months. The lease was 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 lease is 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.

On April 8, 2025, the Foundation entered into a Line of Credit agreement to finance the renovation of one of its properties on its campus. Upon completion of the renovation, the Foundation intends to convert the outstanding balance on the Line of Credit into a fixed-rate loan upon completion. As of September 30, 2025, the outstanding balance on the Line of Credit was $321,150.

Note 5 – Long-term Debt (continued)

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

	2025	2024
Lease Revenue Bonds, Series 2013, with interest at 2.65%, payments due annually through 2024	$ -	$ 103,023
Lease Revenue Bonds, Series 2017-A, with interest at 2.33%, payments due annually through 2024	-	516,500
Lease Revenue Bonds, Series 2017-B, with interest at 1.77% to 2.15%, payments beginning November 2019 due annually through 2033	6,617,119	7,308,530
Construction Line of Credit	321,150	-
Right-of-use-assets	10,043	15,473
Total Debt	6,948,312	7,943,526
Unamortized debt issuance costs	(26,583)	(32,176)
Total Debt, net	6,921,729	7,911,350
Less: Current portion	1,025,339	1,316,364
Total Long-Term Debt, net	$ 5,896,390	$ 6,594,986

Future principal maturities of long-term debt on September 30, 2025, and for the next 5 years and thereafter are as follows:

2026	$ 1,025,339
2027	751,412
2028	758,991
2029	769,003
2030	780,449
Thereafter	2,863,118
Total Debt	$ 6,948,312

The fair market value of bonds payable, which is estimated using current trade rates, was approximately $6,217,539 and $6,594,986 at September 30, 2025 and 2024, respectively.

Interest cost expensed for the years ended September 30, 2025 and 2024, was $170,266 and $211,603, 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, 2025:

2026	$ 4,922,248
2027	4,945,634
2028	4,826,511
2029	4,435,161
2030	4,523,864
Thereafter	18,791,179
Total	$ 42,444,597

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:

	2025	2024
Land improvements	$ 1,020,889	$ 1,020,889
Major moveable equipment	272,866	272,866
Buildings and improvements	13,873,531	13,868,494
Fixed equipment	6,210,506	6,210,506
Total property and equipment	21,377,792	21,372,755
Less: Accumulated depreciation	17,800,328	17,670,420
Total Property and Equipment, Net	$ 3,577,464	$ 3,702,335

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:

	2025	2024
Purpose restrictions:		
Capital projects	$ -	$ 37
Fund programs for the disabled	784,774	1,055,600
Scholarships for members	125,968	125,707
Total Net Assets With Donor Restrictions	$ 910,742	$ 1,181,344

The above restricted net assets include $372,977 of net pledges receivable that are also restricted for time as of September 30, 2025 and $610,419 as of September 30, 2024.

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, 2025:

		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	$ 1,111,957	$ -	$ 1,111,957	$ -
Mortgages and leases	1,547,701	-	1,547,701	-
Corporate obligations	2,294,101	-	2,294,101	-
Equity mutual funds	1,607	1,607	-	-
Fixed income - mutual funds	5,577,628	5,577,628	-	-
Short-term investments	678,080	678,080	-	-
Total Assets at Fair Value	11,211,074	6,257,315	4,953,759	-
Investments at net asset value				
Private investment funds	75,283,941			
Total Investments at estimated Fair Value	$ 86,495,015			

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, 2024:

Assets	Fair Value	Active Markets Level 1	Observable Inputs Level 2	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			

Note 9 – Related Party Transactions

The Foundation owns the hospital building and leases it to a subsidiary of Encompass Health. The President of the 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 2025 was $4,022,682.

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 2025 was $189,486.

The Foundation paid legal fees to Balch & Bingham LLP, a law firm in which a partner and an of counsel serve as members of the Foundation's Board of Directors. The total amount of the legal fees paid to the firm in 2025 totaled $47,267, which includes $4,064 for bond counsel and $43,203 for general services.

The Foundation paid Regions Financial Corporation (Regions) bond trustee fees of $2,475, construction line of credit fees and interest of $4,068, bond interest payments of $163,723, and investment management services of $14,518. 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, 2025:

Equipment	$ 5,180
Fundraising services and supplies	11,399
Total	$ 16,579

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

The Foundation received donated equipment with an estimated fair market value of $5,180.

Additionally, the Foundation received donated supplies and services with an estimated fair market value of $1,399 and $10,000 for two fundraising events, 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:

	2025	2024
Cash and cash equivalents	$ 1,971,290	$ 1,431,888
Pledges receivable for operations	308,986	610,419
Accounts receivable	216,874	104,031
Investments available for operations	4,381,306	4,893,918
Total financial assets available for general expenditures within one year	$ 6,878,456	$ 7,040,256

Investments available for operations of $4,381,306 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, 2026 fiscal year.

Note 12 – Subsequent Events

The Foundation has evaluated subsequent events through January 12, 2026 the date the consolidated financial statements were available to be issued.