



LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2022

OHIO AUDITOR OF STATE
KEITH FABER



LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Lake Erie Shores and Islands
dba Shores & Islands Ohio
Ottawa County
770 Southeast Catawba Road
Port Clinton, Ohio 43452

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lake Erie Shores and Islands dba Shores & Islands Ohio, Ottawa County, Ohio (the Bureau), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bureau, as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with the 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Bureau, 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Bureau's 2021 financial statements, and we expressed an unmodified opinion on the respective financial statements dated December 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS and *Government 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the 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 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 the Bureau's 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 financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of the Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bureau's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bureau's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

November 30, 2023

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LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY

Statement of Financial Position
December 31, 2022
With Comparative Totals at December 31, 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 807,701	\$ 905,466
Accounts receivable:		
Trade	39,237	17,837
Prepaid expenses	170,746	31,550
Total current assets	<u>1,017,684</u>	<u>954,853</u>
Noncurrent assets:		
Property and equipment - net	14,236	10,630
Right-of-use asset - net	38,941	-
Total noncurrent assets	<u>53,177</u>	<u>10,630</u>
Total assets	<u>\$ 1,070,861</u>	<u>\$ 965,483</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 25,064	\$ 93,576
Salaries and wages payable	21,557	14,797
Payroll taxes, including employee withholding	11,881	5,741
Deferred revenue	52,600	101,300
Current portion of Lease liabilities	10,111	-
Total current liabilities	<u>121,213</u>	<u>215,414</u>
Long term portion of lease liability	28,830	-
Total liabilities:	<u>150,043</u>	<u>215,414</u>
Net assets:		
Without donor restrictions	920,818	750,069
Total liabilities and net assets	<u>\$ 1,070,861</u>	<u>\$ 965,483</u>

The notes to the financial statements are an integral part of this statement.

**LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY**

**Statement of Activities
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>
	<u>2022</u>	<u>2021</u>
Support and revenue:		
Bureau funding	\$ 3,175,000	\$ 2,530,000
Advertising revenue	412,444	90,738
Investment income	598	2,535
In-kind revenue	129,984	120,384
Other income	-	194,212
Total support and revenue	<u>3,718,026</u>	<u>2,937,869</u>
Expenses:		
Program services	3,024,730	2,304,520
Supporting services	522,547	412,725
Total expenses	<u>3,547,277</u>	<u>2,717,245</u>
Change in net assets	170,749	220,624
Net assets, beginning of year	<u>750,069</u>	<u>529,445</u>
Net assets, end of year	<u><u>\$ 920,818</u></u>	<u><u>\$ 750,069</u></u>

The notes to the financial statements are an integral part of this statement.

**LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY**

**Statement of Cash Flows
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021**

	Without Donor Restrictions	Without Donor Restrictions
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 170,749	\$ 220,624
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,002	2,542
Amortization	154	191
Bad debt expense	11,000	3,525
Forgiveness of Paycheck Protection Program loan	-	(194,212)
(Increase) decrease in assets:		
Trade accounts receivable	(32,400)	88,096
Other accounts receivable	-	75,940
Prepaid expenses	(139,196)	(16,428)
Increase (decrease) in liabilities:		
Accounts payable	(68,512)	71,329
Salaries and wages payable	6,760	8,804
Payroll taxes	6,140	(1,145)
Deferred revenue	(48,700)	92,700
Net cash provided by operating activities	(90,003)	351,966
Cash flows from investing activities:		
Purchases of equipment and software	(7,762)	(4,211)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	194,212
Net increase in cash and cash equivalents	(97,765)	541,967
Cash and cash equivalents, beginning of year	905,466	363,499
Cash and cash equivalents, end of year	<u>\$ 807,701</u>	<u>\$ 905,466</u>
Noncash investing and financing transactions:		
Operating lease assets obtained in exchange for operating lease liabilities	\$ 48,705	\$ -

The notes to the financial statements are integral part of this statement.

**LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY**

**Statement of Functional Expenses
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021**

	Program Services	Supporting Services	<u>2022</u>	<u>2021</u>
Advertising and promotions	\$ 1,967,862	\$ -	\$ 1,967,862	\$ 1,417,507
Salaries and wages	684,787	228,263	913,050	679,047
In-kind expenses	-	129,984	129,984	120,384
Employee benefits	76,145	25,382	101,527	94,160
Printing and publications	81,431	-	81,431	80,396
Website expense	69,726	-	69,726	106,467
Payroll taxes	51,301	17,100	68,401	47,834
Postage and shipping	37,686	4,187	41,873	27,070
Dues and subscriptions	18,694	12,463	31,157	32,075
Professional development	-	25,468	25,468	-
Equipment rent and maintenance	13,152	10,761	23,913	26,030
Insurance	-	21,288	21,288	15,967
Professional fees	-	17,634	17,634	19,903
Telephone	12,135	2,142	14,277	15,382
Bad debt expense	-	11,000	11,000	3,525
Office supplies and expense	4,276	3,498	7,774	3,773
Seminars and meetings	3,480	3,479	6,959	18,154
Automobile expense	4,055	1,351	5,406	2,959
Bank charges	-	4,391	4,391	3,879
Depreciation	-	4,002	4,002	2,542
Amortization	-	154	154	191
Total expenses	<u>\$ 3,024,730</u>	<u>\$ 522,547</u>	<u>\$ 3,547,277</u>	<u>\$ 2,717,245</u>

The notes to the financial statements are an integral part of this statement.

LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2022

1. Nature of activities

Lake Erie Shores and Islands dba Shores & Islands Ohio, Ottawa County, Ohio (the Bureau) is an Ohio not-for-profit corporation that commenced operations on January 1, 2019. The Bureau was formed to develop and implement a marketing plan to grow the tourism economy of Erie and Ottawa Counties of Ohio through promotion of the region and thereby increase visitor spending in the region.

The Bureau is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(6). In addition, the Bureau has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

2. Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Bureau and changes therein are classified and reported as follows:

Net assets without restrictions

Net assets without restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.

Net assets with restrictions

Net assets with restrictions are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations.

Advertising revenue

Advertising revenue is recognized in the period in which the advertising is provided. Advertising revenue received in advance of the period that it is provided is recorded as deferred revenue.

Advertising costs

Advertising costs are expensed as incurred. Total advertising expenses, including the costs to encourage and promote travel to and visitation in Erie and Ottawa Counties were \$1,967,862 and are included in program service expenses.

LAKE ERIE SHORES AND ISLANDS
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OTTAWA COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2022

2. Summary of significant accounting policies – continued

Donations

Donations are recorded as unrestricted unless specifically restricted by the donor.

Donated noncash assets

Donated noncash assets are recorded as contributions at their estimated fair values at the time of receipt.

Donated facilities and services

Donated facilities and services are reported at their fair value at date of receipt as in-kind revenue with a like amount included as in-kind expense. For the year ended December 31, 2022, the in-kind expense includes the fair value of the rent on the Erie County and Ottawa County buildings, which house the Bureau, of \$129,984. All in-kind benefits were provided by the Erie County Visitors and Convention Bureau and the Ottawa County Visitors Bureau.

Cash and cash equivalents

For purposes of the statement of cash flows, the Bureau considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The following is a summary of cash and cash equivalents at December 31, 2022:

Petty cash on hand	\$ 768
Cash on deposit at banks	<u>806,933</u>
Total	<u>\$ 807,701</u>

Financial instruments – concentration of credit risk

The Bureau places its temporary cash investments with financial institutions in amounts that may exceed the federally insured deposit limits or in accounts that are not covered by federal deposit insurance. The Bureau has not experienced any loss in such accounts.

Revenue recognition

Deferred revenue

The Bureau recognizes commitments for advertising space in the annual promotional booklet as deferred revenue when the advertising contract is signed. Booklet advertising income is recognized on an annual basis when the promotional booklet is released.

LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2022

2. Summary of significant accounting policies - continued

Contributions and donated services

The Bureau recognizes grants and contributions revenue in the period in which the pledge (promise to give) is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restriction. Contributions with donor-imposed restrictions met in the same period are reported as net assets without donor restriction. The Bureau recognizes revenue from grants in accordance with ASU *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Bureau evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Bureau applies guidance under ASU 2014-09 “*Revenue from Contracts with Customers*.” If the transfer of assets is determined to be a contribution, the Bureau evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers must be overcome before the Bureau is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of a release of a promisor’s obligation to transfer assets.

The Bureau recognizes donated services as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Bureau.

Bureau funding

The Bureau receives the majority of its support based on a contract with Erie County Visitors and Convention Bureau and Ottawa County Visitors Bureau. The support received from these bureaus is comprised of an exchange element based on benefits provided to the bureaus over the fiscal year. Obligations to these bureaus are satisfied and recognized ratably over time as the bureaus are simultaneously receiving and consuming the benefit of the services provided by the Bureau over the fiscal year.

Disaggregation of revenue

The Bureau disaggregates revenue based on the type of good or service provided to the bureaus and any other customers as well as any contributions from donors. The accompanying statement of activities shows those disaggregated revenue streams for the year ended December 31, 2022.

Leases

Effective January 1, 2022, the Bureau adopted FASB ASC 842, *Leases*. The Bureau determines if an arrangement contains a lease at inception based on whether the Bureau has the right to control the asset during the contract period and other facts and circumstances. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a ROU asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

Subsequent events

Management has evaluated subsequent events through the date of the opinion letter.

LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2022

2. Summary of significant accounting policies - continued

Comparative data

The financial information included for the year ended December 31, 2021 is presented in total but not by class or function. This information is presented for comparative purposes and is not intended to be a complete financial presentation. Accordingly, such information should be read in conjunction with the December 31, 2021 financial statements from which this information was derived.

3. Restrictions on assets

The Bureau reports contributions of cash or other assets as either support restricted by time or purpose or support restricted in perpetuity if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, net assets restricted by time or purpose are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of restrictions.

Net assets with donor restrictions at December 31, 2022 were \$0.

4. Trade accounts receivable

Trade accounts receivable includes advertising fees and is carried at the estimated collectable amounts. Trade credit is generally extended on a short-term basis; thus trade accounts receivable do not bear interest, although finance charges may be applied to past due receivables. Trade accounts receivable are periodically evaluated for collectability. An allowance for doubtful accounts receivable is determined on the basis of loss experience, known and inherent risks, and current economic conditions. Trade accounts receivable deemed to be uncollectible are charged against the allowance for doubtful accounts when such receivables are deemed to be uncollectible.

The following is a summary of trade accounts receivable at December 31, 2022:

Trade accounts receivable	\$ 49,237
Allowance for doubtful accounts receivable	<u>(10,000)</u>
Net trade accounts receivable	<u>\$ 39,237</u>

5. Property and equipment

The Bureau capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment is recorded at cost at date of purchase or at estimated fair value at date of gift. Expenditures which increase useful lives are capitalized while maintenance and repairs are charged to expense. Assets are depreciated over their estimated useful lives using the straight-line method.

LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2022

5. Property and equipment - continued

The following is a summary of property and equipment at December 31, 2022:

Equipment	\$ 24,088
Software	<u>1,124</u>
Total	25,212
Less accumulated depreciation and amortization	<u>(10,976)</u>
Net property and equipment	<u>\$ 14,236</u>

6. Retirement plan

The Bureau sponsors a defined contribution pension plan (a SIMPLE IRA) for all eligible employees. During the year ended December 31, 2022, the Bureau's contribution to the plan totaled \$21,752.

7. Description of program and supporting services

Program services consist of travel and tourism promotion. The Bureau encourages and stimulates interest in Erie and Ottawa Counties through advertisement and other educational and informational means. It fosters knowledge and distribution of the Bureau's publication, *Shores & Islands Ohio*.

Supporting services consist of general and management services. The services include the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Bureau's program strategy through the President, secure proper administrative functioning of the Board of Trustees and manage the financial and budgetary responsibility of the Bureau.

8. Related party transactions

Several of the Bureau's Trustees are also trustees of the two County Visitors Bureaus that fund the majority of revenue Lake Erie Shores and Islands dba Shores & Islands Ohio receives annually. Some of the Trustees and their respective companies purchase advertising services from the Bureau and benefit from other promotional activities of the Bureau. These related companies purchased \$18,375 of advertising services from the Bureau during the year ended December 31, 2022. Additionally, the Bureau purchased \$50,717 for services from related companies.

9. Support and revenue - concentration

The Bureau receives the majority of its support from Erie County Visitors and Convention Bureau and Ottawa County Visitors Bureau. Both Bureaus have agreed to contribute 75% of their annual revenue to Lake Erie Shores and Islands dba Shores & Islands Ohio. For the year ended December 31, 2022, the amount of support from the Bureaus' was \$3,175,000. Because a majority of the Bureau's support is from this funding, any unanticipated loss of revenue within the Bureaus could adversely affect operations.

LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2022

10. Operating leases

The Bureau leases various office equipment under non-cancelable operating leases that expire in various years through 2026.

The Bureau's lease arrangements may contain both lease and non-lease components. The Bureau has elected to combine and account for lease and non-lease components as a single lease component for its leases. Most leases include renewal options which can extend the lease term. The exercise of these renewal options is at the sole discretion of the Bureau, and only lease options that the Bureau believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. Payments under the Bureau's lease arrangements may be fixed or variable, and variable lease payments are primarily based on output of the underlying leased assets. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The components of operating lease costs that are charged to expenses in the statement of activities for the year ended December 31, 2022 were as follows:

Operating lease cost	\$ <u>11,280</u>
Variable lease cost	\$ <u>9,496</u>

Cash paid for amounts included in the measurement of operating lease liabilities was \$11,280 for the year ended December 31, 2022.

Operating lease liability maturities as of December 31, 2022, are as follows:

2023	\$ 11,280
2024	11,280
2025	9,840
2026	9,120
2027	-
Thereafter	<u>-</u>
Total undiscounted liabilities	41,520
Less: imputed interest	<u>2,579</u>
Total operating lease liabilities	<u>\$ 38,941</u>

The weighted-average remaining lease term related to the Bureau's lease liabilities as of December 31, 2022 is 3.79 years.

The discount rate related to the Bureau's lease liabilities as of December 31, 2022 was 3.50%. The discount rates are generally based on estimates of the Bureau's incremental borrowing rate, as the discount rates implicit in the Bureau's leases cannot be readily determined.

LAKE ERIE SHORES AND ISLANDS
dba SHORES & ISLANDS OHIO
OTTAWA COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2022

11. Liquidity and funds available

The following table reflects the Bureau's financial assets as of December 31, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held by others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets:	
Cash and cash equivalents	\$ 807,701
Accounts receivable	<u>39,237</u>
Financial assets at year-end	<u>846,938</u>
Less those unavailable for general expenditure within one year	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 846,938</u>

The Bureau has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

12. Adoption of new accounting standard

The Bureau elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Bureau to initially apply the new leases standard at the adoption date (January 1, 2022) and recognize a cumulative effect adjustment to the opening statement of financial position in the period of adoption.

The Bureau elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

The adoption of FASB ASC 842 resulted in the recognition of operating ROU assets of \$48,705, net of prepaid lease payments and lease incentives, and operating lease liabilities of \$48,705, as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Bureau's results of operations, cash flows or debt covenants. See Note 10.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lake Erie Shores and Islands
dba Shores & Islands Ohio
Ottawa County
770 Southeast Catawba Road
Port Clinton, Ohio 43452

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Lake Erie Shores and Islands dba Shores & Islands Ohio, Ottawa County, Ohio (the Bureau), (a not-for-profit corporation), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements and have issued our report thereon dated November 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bureau's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bureau's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bureau's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bureau's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 30, 2023

OHIO AUDITOR OF STATE KEITH FABER



LAKE ERIE SHORES AND ISLANDS DBA SHORES & ISLANDS OHIO

OTTAWA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/12/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov