

NEIGHBORLY CARE NETWORK, INC.

**Financial Statements, Supplementary Financial Information
and Reports as Required by the Comptroller General
of the United States and the Uniform Guidance**

**December 31, 2020 and 2019
(With Independent Auditors' Report Thereon)**

NEIGHBORLY CARE NETWORK, INC.

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AUDITED FINANCIAL STATEMENTS



Mayer Hoffman McCann P.C.

13577 Feather Sound Drive, Suite 400 ■ Clearwater, FL 33762
Main: 727.572.1400 ■ Fax: 727.571.1933 ■ www.mhmcpa.com

**Independent Auditors' Report on Financial Statements
and Supplementary Financial Information**

The Members of the Board of Directors
Neighborly Care Network, Inc.:

Report on Financial Statements

We have audited the accompanying financial statements of Neighborly Care Network, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborly Care Network, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Neighborly Care Network, Inc.'s 2019 financial statements, and our report dated June 12, 2020 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the State of Florida Auditor General*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2021, on our consideration of Neighborly Care Network, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborly Care Network, Inc.'s internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

July 22, 2021
Clearwater, Florida

NEIGHBORLY CARE NETWORK, INC.

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash (including restricted cash of \$113,090 as of December 31, 2019)	\$ 132,739	623,626
Accounts receivable:		
Grants and contracts	1,411,079	877,289
Client fees and 3rd party insurance	309,022	204,974
Promises to give	-	32,155
Current portion of note receivable	12,944	12,490
Prepaid expenses	<u>103,614</u>	<u>60,350</u>
Total current assets	1,969,398	1,810,884
Investments	965,383	1,198,353
Property held for sale	-	3,126,372
Receivables under charitable remainder trusts	591,865	530,710
Note receivable, less current portion	562,114	576,093
Property and equipment, net	1,894,588	1,986,681
Other assets	<u>36,198</u>	<u>23,668</u>
Total assets	<u>\$ 6,019,546</u>	<u>9,252,761</u>
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 2,421	270,000
Accounts payable	494,252	347,039
Accrued expenses:		
Salaries and payroll taxes	112,951	85,735
Annual leave	210,866	195,931
Interest	-	6,523
Other	113	4,115
Refundable advance	<u>50,000</u>	<u>-</u>
Total current liabilities	870,603	909,343
Long-term debt, less current installments	147,579	2,632,972
Obligation under interest rate swap agreement	<u>-</u>	<u>368,245</u>
Total liabilities	1,018,182	3,910,560
Net assets:		
Without donor restrictions	3,441,381	3,580,983
With donor restrictions	<u>1,559,983</u>	<u>1,761,218</u>
Total net assets	<u>5,001,364</u>	<u>5,342,201</u>
Total liabilities and net assets	<u>\$ 6,019,546</u>	<u>9,252,761</u>

See accompanying independent auditors' report and notes to financial statements.

NEIGHBORLY CARE NETWORK, INC.

Statement of Activities

**Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2020</u>	<u>2019</u>
Operating support and revenue:				
Public support:				
Grants and contracts	\$ 7,485,045	-	7,485,045	5,164,756
Contributions	337,812	30,000	367,812	257,228
United Way allocations	10,165	-	10,165	171,897
In-kind support	308,317	-	308,317	271,649
Client fees:				
Adult day care	265,606	-	265,606	559,778
Nutrition	362,271	-	362,271	85,174
Other	86,607	-	86,607	67,273
Other revenue	83,100	-	83,100	40,300
Endowment return utilized in operations	290,000	-	290,000	400,995
Net assets released from restrictions:				
Satisfaction of use restrictions	59,420	(59,420)	-	-
	<u>9,288,343</u>	<u>(29,420)</u>	<u>9,258,923</u>	<u>7,019,050</u>
Total operating support and revenue				
Operating expenses:				
Program services	7,767,536	-	7,767,536	6,035,201
Supporting services	1,661,315	-	1,661,315	1,834,672
	<u>9,428,851</u>	<u>-</u>	<u>9,428,851</u>	<u>7,869,873</u>
Total operating expenses				
Change in net assets from operations	(140,508)	(29,420)	(169,928)	(850,823)
Other changes:				
Capital grants	-	-	-	178,521
Investment return	-	57,030	57,030	167,633
Endowment return utilized in operations	-	(290,000)	(290,000)	(400,995)
Change in value of split-interest agreements	-	61,155	61,155	70,002
Gain (loss) on sale of equipment	61	-	61	(1,150)
Loss on impairment of property held for sale	-	-	-	(2,450,814)
Gain (loss) on interest rate swap	845	-	845	(46,251)
	<u>906</u>	<u>(171,815)</u>	<u>(170,909)</u>	<u>(2,483,054)</u>
Total other changes				
Change in net assets	(139,602)	(201,235)	(340,837)	(3,333,877)
Net assets, beginning of year	<u>3,580,983</u>	<u>1,761,218</u>	<u>5,342,201</u>	<u>8,676,078</u>
Net assets, end of year	<u>\$ 3,441,381</u>	<u>1,559,983</u>	<u>5,001,364</u>	<u>5,342,201</u>

NEIGHBORLY CARE NETWORK, INC.

Statement of Activities

Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating support and revenue:			
Public support:			
Grants and contracts	\$ 5,164,756	-	5,164,756
Contributions	257,228	-	257,228
United Way allocations	81,393	90,504	171,897
In-kind support	271,649	-	271,649
Client fees:			
Adult day care	559,778	-	559,778
Nutrition	85,174	-	85,174
Other	67,273	-	67,273
Other revenue	40,300	-	40,300
Endowment return utilized in operations	400,995	-	400,995
Net assets released from restrictions:			
Satisfaction of use restrictions	323,396	(323,396)	-
	<hr/>	<hr/>	<hr/>
Total operating support and revenue	7,251,942	(232,892)	7,019,050
Operating expenses:			
Program services	6,035,201	-	6,035,201
Supporting services	1,834,672	-	1,834,672
	<hr/>	<hr/>	<hr/>
Total operating expenses	7,869,873	-	7,869,873
Change in net assets from operations	(617,931)	(232,892)	(850,823)
Other changes:			
Capital grants	178,521	-	178,521
Investment return	-	167,633	167,633
Endowment return utilized in operations	-	(400,995)	(400,995)
Change in value of split-interest agreements	-	70,002	70,002
Loss on sale of equipment	(1,150)	-	(1,150)
Loss on impairment of property held for sale	(2,450,814)	-	(2,450,814)
Loss on interest rate swap	(46,251)	-	(46,251)
	<hr/>	<hr/>	<hr/>
Total other changes	(2,319,694)	(163,360)	(2,483,054)
Change in net assets	(2,937,625)	(396,252)	(3,333,877)
Net assets, beginning of year	6,518,608	2,157,470	8,676,078
Net assets, end of year	\$ <u>3,580,983</u>	<u>1,761,218</u>	<u>5,342,201</u>

See accompanying independent auditors' report and notes to financial statements.

NEIGHORLY CARE NETWORK, INC.

Statement of Functional Expenses

**Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	Program Services						Supporting Services			Total Expenses	
	Adult Day Care	Transportation	Nutrition	Other Programs	Program Maintenance	Total	General and Administrative	Fundraising	Total	2020	2019
Salaries and wages	\$ 505,460	701,387	1,008,292	5,586	74,853	2,295,578	708,264	118,731	826,995	3,122,573	2,951,710
Payroll taxes	40,418	58,103	82,566	447	5,815	187,349	47,718	9,299	57,017	244,366	234,125
Employee benefits	127,150	141,839	139,676	2,255	26,682	437,602	158,923	25,163	184,086	621,688	555,526
Total personnel related expenses	673,028	901,329	1,230,534	8,288	107,350	2,920,529	914,905	153,193	1,068,098	3,988,627	3,741,361
Contract and professional fees	1,865	46,737	2,532	-	60	51,194	45,241	7,885	53,126	104,320	192,194
Communications and utilities	27,617	8,761	42,619	-	17,458	96,455	7,858	516	8,374	104,829	193,588
Occupancy allocation	-	31,825	64,063	-	(377,675)	(281,787)	267,801	13,986	281,787	-	-
Repairs and maintenance	30,652	181,794	62,640	47	1,954	277,087	35,235	12,893	48,128	325,215	333,015
Insurance	23,980	127,847	60,801	-	48,483	261,111	2,072	518	2,590	263,701	283,442
Postage, printing and supplies	21,084	19,251	83,391	763	41,977	166,466	11,297	15,763	27,060	193,526	119,429
Food costs	13,405	-	3,398,011	-	-	3,411,416	-	-	-	3,411,416	1,668,104
Equipment	(90)	-	919	-	2,390	3,219	24,414	2,022	26,436	29,655	30,452
Vehicle expenses	-	89,873	14,767	-	880	105,520	128	-	128	105,648	146,978
Travel	2,983	7	20,355	-	50	23,395	38	1,080	1,118	24,513	52,596
Operating expenses	1,865	6,886	17,960	-	141,948	168,659	7,268	5,908	13,176	181,835	63,636
Financing charges and bank fees	-	-	-	-	1,979	1,979	10,157	754	10,911	12,890	105,168
Interest	-	-	-	-	-	-	36,841	-	36,841	36,841	120,176
In-kind	7,878	11,374	247,817	51	-	267,120	27,953	13,244	41,197	308,317	271,649
Other	546	532	364	-	4,205	5,647	6,848	243	7,091	12,738	5,686
Total expenses before depreciation and amortization	804,813	1,426,216	5,246,773	9,149	(8,941)	7,478,010	1,398,056	228,005	1,626,061	9,104,071	7,327,474
Depreciation and amortization	21,897	235,944	22,744	-	8,941	289,526	35,254	-	35,254	324,780	542,399
Total expenses - 2020	\$ 826,710	1,662,160	5,269,517	9,149	-	7,767,536	1,433,310	228,005	1,661,315	9,428,851	
Total expenses - 2019	\$ 986,093	1,719,518	3,194,182	135,408	-	6,035,201	1,572,966	261,706	1,834,672		7,869,873

See accompanying independent auditors' report and notes to financial statements.

NEIGHBORLY CARE NETWORK, INC.

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (340,837)	(3,333,877)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	324,780	542,399
Net realized and unrealized gains on investments	(37,217)	(140,200)
Loss (gain) on interest rate swap	(845)	46,251
Loss (gain) on sale of equipment	(61)	1,150
Loss on impairment of capital asset	-	2,450,814
Government grants to acquire and improve capital assets	-	(170,706)
Changes in assets and liabilities:		
Receivables	(666,838)	47,416
Prepaid expenses and other assets	(43,264)	12,271
Accounts payable	147,213	129,267
Accrued expenses	65,974	3,179
Refundable advance	50,000	-
	<u>(501,095)</u>	<u>(412,036)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	1,417,915	1,015,086
Purchases of investments	(1,147,728)	(641,524)
Principal payments received under note receivable	13,525	9,244
Proceeds from the sale of property	176,522	-
Proceeds from sale of equipment	269	60,258
Purchases of property and equipment	<u>(232,895)</u>	<u>(248,962)</u>
Net cash provided by investing activities	227,608	194,102
Cash flows from financing activities:		
Government grants to acquire and improve capital assets	-	170,706
Payment of obligation under interest rate swap agreement	(367,400)	-
Proceeds received from issuance of long-term debt	150,000	-
Principal paid on bonds payable	<u>-</u>	<u>(260,000)</u>
Net cash used in financing activities	<u>(217,400)</u>	<u>(89,294)</u>
Net increase (decrease) in cash	(490,887)	(307,228)
Cash at beginning of year	<u>623,626</u>	<u>930,854</u>
Cash at end of year	\$ <u>132,739</u>	\$ <u>623,626</u>
Supplemental cash flow information:		
Cash paid for interest	\$ <u>43,364</u>	\$ <u>119,386</u>
Noncash transfer of land and building to property held for sale	\$ <u>-</u>	\$ <u>3,126,372</u>
Repayment of bonds payable from sale of property held for sale	\$ <u>2,985,000</u>	<u></u>

See accompanying independent auditors' report and notes to financial statements.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

Neighborly Care Network, Inc. (the "Organization"), is a nonprofit organization which exists to provide programs and services for mature adults, primarily in Pinellas County, Florida. The Organization provides a variety of senior care services through programs including: care management, nutrition services programs primarily known as "meals on wheels," Medicaid transportation services, adult day care, and pharmacy services.

Significant portions of the Organization's funds for operations are received from federal, state, county and municipal governmental units and from the United Way. Federal and state funds are received primarily through the Area Agency on Aging of Pasco - Pinellas, Inc., which acts as an intermediary between the Organization and the funding sources. Acceptance of funding provided by these grants requires compliance with prescribed conditions and other special requirements, including the furnishing of certain program support from non-governmental sources.

(b) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Operating revenues consist of amounts received through the Organization's general program operations. Other receipts not associated with the Organization's general operations are classified as other revenues. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions include net assets that are not subject to donor imposed stipulations and are fully available to utilize for any program or supporting services.

Net Assets With Donor Restrictions consist of net assets whose use is limited by donor-imposed time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions 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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that the assets be maintained in perpetuity while permitting the Organization to spend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(c) Cash

Cash consists of bank deposits and petty cash. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2020 and 2019, the Organization had \$55,124 and \$420,373, respectively, which exceeded these insured amounts.

Bank deposits in a sinking fund that were set aside for bond principal payments as required by applicable debt covenants, totaled \$113,090 as of December 31, 2019 and were considered restricted cash balances.

(d) Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third party contracts, and other circumstances, which may affect the ability of payors to meet their obligations. Receivables are considered fully impaired if full principal payments are not received in accordance with contractual terms. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of December 31, 2020 and 2019, all accounts were considered to be collectible, therefore, the Organization did not record an allowance for doubtful accounts.

(e) Investments

Investments include marketable debt and equity securities with readily determinable fair values. Unrealized gains and losses are reported in the accompanying statements of activities as a component of investment return. Restrictions on investment earnings are reported as increases in net assets without donor restrictions if the restrictions expire or are otherwise satisfied in the fiscal year in which the earnings are recognized.

(f) Property and Equipment

Property and equipment are carried at cost, if purchased, or at estimated fair value at date of receipt if obtained by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. Expenditures for assets in excess of \$1,000 with an estimated useful life greater than one year are capitalized.

(g) Fair Value Measurements

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurement*, the Organization uses a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the asset or liability (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(h) Interest Rate Swap

As described in Note 7, the Organization utilized an interest rate swap (“swap”) to reduce its exposure to changes in the interest rate on its long term debt. The swap is presented at fair value based on Level 2 inputs.

(i) Contributions

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(j) In-Kind Contributions

Contributions of non-cash assets, including contributed building space usage, and contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Contributions of donated services not meeting these specified criteria are not recorded in the financial statements.

(k) Grants Revenue

A significant portion of the Organization’s revenue is derived from cost-reimbursable or unit based federal, state and local grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Organization has provided program services and incurred expenditures in compliance with specific grant provisions. Grants awarded for the acquisition of long-lived assets are reported as nonoperating revenue without donor restrictions, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are placed in service.

(l) Revenue Recognition

Client service fees consist of care management, nutrition and certain other services paid by clients or by insurance companies under the terms of negotiated contracts. Client service fees are recognized over time when the services are provided based on standard charges, net of any contractual adjustments under insurance contracts. Care management services are billed monthly and amounts collected in advance are recorded as deferred revenue. Revenue for other fee-based services are recognized as services are provided.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(m) Statement of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses directly attributable to a specified functional area of the Organization are reported as direct expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the functional areas based on time spent by employees or based on the square footage analysis of occupancy-related costs for each functional area. Interagency expenses represent transportation, meals and pharmacy expenses that were provided to the adult day care program and allocated based on the relative value units benefitted.

(n) Income Taxes

Neighborly Care Network, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and has been determined not to be a private foundation. Under Internal Revenue Service regulations, Neighborly Pharmacy, LLC is treated as a disregarded entity single member LLC and was, therefore, treated as a division of the Organization, rendering it exempt from federal income taxes.

The Organization has adopted ASC Topic 740, *Income Taxes*. ASC Topic 740 prescribes a recognition and measurement standard for uncertain tax positions taken or expected to be taken in a tax return. The Organization does not believe it has any material income tax exposure relating to uncertain tax positions. The Organization's income tax filings remain subject to examination for a period of three years after filing.

(o) Summarized Financial Information for 2019

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which summarized information was derived.

(p) Going Concern Evaluation

On an annual basis, as required by ASC Topic 205, *Presentation of Financial Statements - Going Concern*, the Organization performs an evaluation to determine whether there are conditions or events (known and reasonably knowable), considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(q) Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

(r) Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2020 and 2019 was \$11,112 and \$32,542, respectively.

(s) Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In June 2020, the FASB issued ASU No. 2020-05, which deferred the effective date for all entities that have not yet adopted Topic 842 to annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

(2) Investments

At December 31, 2020 and 2019, the cost and market values of investments are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Money market funds	\$ 93,943	93,943	379,588	379,588
Fixed income securities	-	-	607,718	619,759
Equity securities	814,194	871,440	158,066	191,373
Real estate investment trusts	-	-	5,030	7,633
	<u>\$ 908,137</u>	<u>965,383</u>	<u>1,150,402</u>	<u>1,198,353</u>

The Organization’s investments in fixed income and equity securities are not concentrated in a single entity or in a few entities, nor are there any specific industry concentrations.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(2) Investments - Continued

The following schedule summarizes investment return for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Dividend and interest income	\$ 28,437	39,838
Realized and unrealized gains	37,217	140,200
Investment management fees	<u>(8,624)</u>	<u>(12,405)</u>
	<u>\$ 57,030</u>	<u>167,633</u>

(3) Receivable under Charitable Remainder Trusts

The Organization has been named a remainder beneficiary under a charitable remainder trust. The remainder trust provides for the payment of periodic distributions to income beneficiaries over the twenty-five year term of the trust. One-third of the remainder is distributed after fifteen years, one-third is distributed after twenty years and the final one-third is distributed after twenty-five years the receivable under charitable remainder trusts is reported at the estimated fair market value of the Organization's remainder interest. The value of these assets is determined based on Level 3 criteria defined in Note 16, which includes the fair value of assets contributed by the donor less the fair value of payments to be made to other beneficiaries.

(4) Note Receivable

In October 2016, the Organization sold its Tarpon Springs location. As a result of the sale, the Organization received a \$625,000 promissory note from the buyer. Principal and interest payments are due monthly beginning November 1, 2016 through November 1, 2046 in the amount of \$2,984. The note bears interest at 4%. The balance of the note receivable as of December 31, 2020 and 2019 was \$575,058 and \$588,583, respectively.

(5) Property and Equipment

Property and equipment consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 686,553	686,553
Building and improvements	1,143,084	1,027,547
Furniture and equipment	<u>4,765,649</u>	<u>4,651,764</u>
	6,595,286	6,365,864
Less accumulated depreciation	<u>(4,700,698)</u>	<u>(4,379,183)</u>
	<u>\$ 1,894,588</u>	<u>1,986,681</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$324,780 and \$532,842, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(5) Property and Equipment - Continued

In 2019, the Organization decided to sell its largest facility in Clearwater, Florida to reduce its operating costs since the Organization was able to consolidate certain program services and reduce the square footage needed to operate programs. Assets that are to be disposed of by sale are required to be reported at the lower of carrying amount or fair value less selling costs. On January 6, 2020, the Organization sold this property for approximately \$3.1 million, net of selling expenses, which indicated the net realizable value of the property was \$2.45 million less than its carrying value as of December 31, 2019. Accordingly, the Organization recognized an impairment loss of \$2.45 million in 2019 which is included in other changes in the accompanying statement of activities.

(6) Long-Term Debt

In August 2008, the Organization borrowed \$5.1 million, funded by the issuance of Variable Rate Revenue Bonds, Series 2008, through the Pinellas County Industrial Development Authority (“PCIDA 2008 Bonds”). This borrowing was for the purpose of funding the construction of the Evergreen facility, which was occupied in May 2010. The PCIDA 2008 Bonds mature between 2010 and 2028. Under the terms of the 2008 debt agreement with the PCIDA, the Organization is responsible for payment of interest on the bonds and for repayment of bond principal. In connection with the sale of the Organization’s largest facility in January 2020, the Organization paid off its bond obligation in full. Interest expense on the bonds payable for the years ended December 31, 2020 and 2019 was \$43,364 and \$120,176, respectively. Amortization of bond issuance costs related to the bonds payable for the year ended December 31, 2019 was \$9,557.

On May 31, 2020, the Organization received \$150,000 of proceeds under a U.S. Small Business Administration (“SBA”) Economic Injury Disaster Loan (“EIDL”) which bears interest at 2.75% and is payable in monthly installments of \$641, including principal and interest, over 30 years beginning June 2, 2021. The loan is secured by an interest in all tangible and intangible property. The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2020 and thereafter are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 2,421
2022	3,680
2023	3,782
2024	3,888
2025	3,996
Thereafter	<u>132,233</u>
Total maturities	150,000
Less current installments of long-term debt	<u>2,421</u>
Long-term debt, less current installments	<u>\$ 147,579</u>

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(7) Interest Rate Swap

On September 1, 2008, the Organization entered into a variable-to-fixed interest rate swap agreement in the initial notional amount of \$5.1 million which effectively fixed the rate of interest incurred under the Variable Rate Revenue Bonds described in Note 6 at 3.38%. The term of the agreement extended over the maturity period of the Variable Rate Revenue Bonds, Series 2008, with the notional amount being reduced through bond maturity in fiscal year 2028. Net cash amounts paid or received under the agreement were recognized as an adjustment to interest expense. In connection with the sale of the Organization's Clearwater facility, the Organization terminated the interest rate swap agreement by paying off the remaining obligation in the amount of \$367,400.

The Organization accounted for the interest rate swap in accordance with ASC Topic 815, *Derivatives and Hedging*. ASC Topic 815 requires that all derivative instruments be recorded in the statement of financial position at fair value and that changes in fair value be reflected as a component of the Organization's change in net assets. For the year ended December 31, 2020, the Organization recognized unrealized net gains of \$845 and for the year ended December 31, 2019, the Organization recognized unrealized net losses of \$46,251, from the change in the fair value of the interest rate swap agreement.

(8) Leases

Upon sale of the Clearwater facility, the Organization entered into a lease agreement with the new owner to lease a portion of the facility to maintain certain programs and supporting services under an operating lease agreement that expires in January 2023. The Organization also leases certain other office and warehouse facilities and certain office equipment under leases classified as operating leases. Rent expense for the years ended December 31, 2020 and 2019 was approximately \$149,000 and \$31,000, respectively.

Future minimum lease payments under noncancellable operating leases as of December 31, 2020 is as follows:

<u>Year Ending December 31,</u>	
2021	\$ 171,029
2022	181,361
2023	43,526
2024	30,996
2025	30,996
Thereafter	<u>142,065</u>
	<u>\$ 599,973</u>

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(9) Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2020 and 2019 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

	2020	2019
Subject to time restrictions:		
United Way allocations	\$ -	32,155
	-	32,155
Subject to use restrictions:		
Receivable under charitable remainder trust	591,865	530,710
Other contributions	2,735	-
	594,600	530,710
Endowments restricted in perpetuity:		
Meals on Wheels endowment	959,169	1,190,639
Lealman Adult Day Care Center endowment	2,071	2,571
General endowment	4,143	5,143
	965,383	1,198,353
Total net assets with donor restrictions	\$ 1,559,983	1,761,218

(10) Endowments

The Organization's endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the *Florida Uniform Prudent Management of Institutional Funds Act* ("UPMIFA"), effective July 1, 2012, as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulation to the contrary. As a result of this interpretation, the Organization retains in perpetuity: the original value of gifts donated to the endowments; the original value of subsequent gifts to the endowments; and any accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(10) Endowments - Continued

Endowment Funds with Deficits

From time to time certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). These deficits resulted from unfavorable market fluctuations that generally occurred shortly after authorized distributions that were deemed prudent. The Organization has interpreted UPMIFA to permit the spending from underwater endowments in accordance with prudent measures required under law.

At December 31, 2020, the Organization's endowment funds with deficiencies were reported in net assets with donor restrictions as follows:

Fair value of endowments	\$	965,383
Original endowment gifts		<u>1,563,548</u>
Deficiencies of underwater endowment funds	\$	<u>(598,165)</u>

Return Objectives and Spending Policy

The investment policy for donor-restricted endowment funds is to produce long-term returns while also providing current income to fund related programs. This is currently achieved by investing primarily in equities and fixed income securities. The Board of Directors approves annual spending plans based on the needs of the endowed programs, the expected long term rate of return on investments and the possible effect of inflation and deflation.

Endowment net asset composition as of December 31, 2020 and 2019 are as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
2020:			
Donor-restricted endowment funds	\$ -	965,383	965,383
	<u>\$ -</u>	<u>965,383</u>	<u>965,383</u>
2019:			
Donor-restricted endowment funds	\$ -	1,198,353	1,198,353
	<u>\$ -</u>	<u>1,198,353</u>	<u>1,198,353</u>

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(10) Endowments - Continued

Return Objectives and Spending Policy - Continued

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at December 31, 2018	\$ -	1,431,715	1,431,715
Investment return	-	167,633	167,633
Appropriation of endowment assets pursuant to spending policy	-	(400,995)	(400,995)
Endowment net assets at December 31, 2019	-	1,198,353	1,198,353
Investment return	-	57,030	57,030
Appropriation of endowment assets pursuant to spending policy	-	(290,000)	(290,000)
Endowment net assets at December 31, 2020	\$ -	965,383	965,383

(11) In-Kind Contributions

The Organization is required to furnish program funds from non-governmental sources in order to meet certain federal and state matching requirements. Program funds may be obtained by cash and in-kind contributions. In-kind contributions consist of donated services, supplies, equipment and the use of group dining and day care facilities. Donated services include paraprofessionals, volunteers, bus and van drivers and aides at the day care centers. Only donated services that meet the requirements as discussed in Note 1 are recorded in the financial statements.

Donated services that did not meet the criteria for recognition in the financial statements and are not reported in the financial statements were \$1,020,578 and \$731,707 for the years ended December 31, 2020 and 2019, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(12) Liquidity and Availability of Resources

The Organization is supported by both unrestricted and restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditure, liabilities and other obligations come due. As of December 31, 2020 and 2019, the Organization's financial assets available to meet cash needs for general expenditures within one year are as follows:

	2020	2019
Financial assets:		
Cash	\$ 132,739	623,626
Accounts receivable	1,720,101	1,114,418
Note receivable	575,058	588,583
Investments	965,383	1,198,353
Receivables under charitable remainder trusts	591,865	530,710
Total financial assets	3,985,146	4,055,690
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor restrictions:		
Cash restricted for debt service	-	(113,090)
Donor imposed restrictions	(594,600)	(530,710)
Endowments	(965,383)	(1,198,353)
Noncurrent portion of note receivable	(562,114)	(576,093)
	\$ 1,863,049	1,637,444

(13) Retirement Plan

A 403(b) Retirement Savings Plan (the "Plan") was established by the Organization on July 1, 2001, and was amended and restated effective January 1, 2009. Employees are eligible to participate in the Plan immediately, and participate in receiving matching contributions from the Organization on the first day of the calendar month that coincides with, or immediately follows, the later of (a) the date the employee completes one full year of employment or (b) the date the employee attains 18 years of age. A participant may elect to make contributions, subject to certain limitations, and the Organization, at its discretion, may contribute annually to the Plan. Contributions vest to employees immediately. Effective January 1, 2019, the Organization amended the employer match to 5% of eligible compensation. The Organization's contributions to the Plan for the years ended December 31, 2020 and 2019 were \$124,300 and \$105,900, respectively, representing 5% of eligible compensation in 2020 and 2019, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(14) Concentration of Revenue and Other Support

One funding source provided approximately 60% and 57% of the Organization's operating revenue and support (excluding endowment distributions) in 2020 and 2019, respectively.

(15) Contingencies

The Organization routinely enters into grant agreements and contracts with governmental agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Organization's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Organization's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying financial statements.

From time to time, the Organization is involved in legal claims arising in the ordinary course of its operations. Management believes any liability incurred in connection with these claims would be nominal in amount and covered under the Organization's insurance policies. In the opinion of management, no material liability exists with respect to these claims.

(16) Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, provides three levels of inputs used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Quoted prices for similar assets and liabilities in active markets or inputs that are observable;

Level 3: Inputs that are unobservable (for example, cash flow modeling based on assumptions).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization did not change its valuation techniques during the year.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(16) Fair Value Measurements - Continued

Fair value of assets and liabilities measured on a recurring basis as of December 31, 2020 and 2019 are as follows:

	Fair Value at December 31, 2020	Level 1	Level 2	Level 3
Assets:				
Investments:				
Money market funds	\$ 93,943	93,943	-	-
Mutual funds	414,005	414,005	-	-
Equity securities:				
Common stock	457,435	457,435	-	-
	<u>965,383</u>	<u>965,383</u>	<u>-</u>	<u>-</u>
Receivables under charitable remainder trust	591,865	-	-	591,865
	<u>\$ 1,557,248</u>	<u>965,383</u>	<u>-</u>	<u>591,865</u>
	Fair Value at December 31, 2019	Level 1	Level 2	Level 3
Assets:				
Investments:				
Money market funds	\$ 379,588	379,588	-	-
Fixed income securities:				
U.S. Treasury securities	111,584	-	111,584	-
Government sponsored enterprise securities	44,110	-	44,110	-
Asset-backed securities	216,536	-	216,536	-
Corporate bonds	247,529	-	247,529	-
Equity securities:				
Common stock	191,373	191,373	-	-
Real estate investment trusts	7,633	7,633	-	-
	<u>1,198,353</u>	<u>578,594</u>	<u>619,759</u>	<u>-</u>
Receivables under charitable remainder trusts	530,710	-	-	530,710
	<u>\$ 1,729,063</u>	<u>578,594</u>	<u>619,759</u>	<u>530,710</u>
Liabilities:				
Obligation under interest rate swap agreement	\$ 368,245	-	368,245	-

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(16) Fair Value Measurements - Continued

The following table sets forth a summary of the changes in fair value of assets using significant unobservable inputs (Level 3) for the years ended December 31, 2020 and 2019:

	<u>Receivable Under Charitable Remainder Trusts</u>
Balances at December 31, 2018	\$ 709,297
Total gains (losses) included in changes in net assets	70,002
Purchases, issues, sales and settlements:	
Purchases	-
Issues	-
Sales	-
Settlements	<u>(248,589)</u>
Balances at December 31, 2019	530,710
Total gains (losses) included in changes in net assets	61,155
Purchases, issues, sales and settlements:	
Purchases	-
Issues	-
Sales	-
Settlements	<u>-</u>
Balances at December 31, 2020	<u>\$ 591,865</u>

(17) Risks and Uncertainties

The novel coronavirus (“COVID-19”) spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and business in general in March 2020 and those impacts affected the Organization’s operations through the end of 2020 and are expected to continue to have an impact into 2021, although such effects may vary significantly. While the impact of the pandemic on the Organization’s operations and activities was significant, the duration and extent of the pandemic and its effects over longer terms cannot be reasonably estimated as of the date the financial statements were available for issuance. The risks and uncertainties resulting from the pandemic that may affect the results of operating activities, cash flows and financial condition include the nature and duration of any potential curtailment of societal activities and the long-term effect on demand for the Organization’s programs and services. Accordingly, significant estimates used in the preparation of the financial statements including those associated with evaluations of certain long-lived assets for impairment and expected credit losses on amounts owed to the Organization may be subject to significant adjustments in future periods.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(17) Risks and Uncertainties - Continued

The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability of financial markets. As a result, there has been heightened market risk and the Organization's investment portfolio has incurred significant volatility in fair value since March 2020. Because the values of the Organization's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in future periods, if any, and the related impact on the Organization's liquidity cannot be determined at this time.

(18) Paycheck Protection Program Loan

The Organization applied for and received a forgivable Paycheck Protection Program loan of \$707,430 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on May 6, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs and that certain employment levels are maintained over a specified 24 week period.

To the extent a portion of the loan does not meet the criteria to be forgiven, principal and interest is payable monthly through the maturity date in May 2022. The loan carries an interest rate of 1%. Through December 31, 2020, the Organization fully utilized the proceeds on qualified costs and such amount has been reported as grant revenue in the accompanying statement of activities. In December 2020, a formal request for forgiveness was submitted. In January 2021, subsequent to year end, the Organization received notice of the legal release of the obligation.

(19) Subsequent Events

Management has evaluated subsequent events through July 22, 2021, the date the financial statements were available for issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

NEIGHBORLY CARE NETWORK, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended December 31, 2020

Federal/State Agency Pass-through Entity/ Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
<i>U.S. Department of Health and Human Services</i>				
Passed through from the Florida Department of Elder Affairs and the Area Agency on Aging of Pasco-Pinellas, Inc.:				
<i>Aging Cluster:</i>				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Transportation)	93.044	EA 020-NCN	\$ 160,679	-
COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Transportation)	93.044	ECA20-NCN	78,114	-
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Adult Day Care)	93.044	EA 020-NCN	116,743	-
COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Telephone Reassurance)	93.044	ECA20-NCN	10,000	-
COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Home Delivered/Congregate Meals)	93.044	ECA20-NCN	<u>1,402,948</u>	<u>-</u>
			1,768,484	-
Special Programs for the Aging, Title III, Part C, Nutrition Services (Congregate Meals)	93.045	EA 020-NCN	223,444	-
COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services (Congregate Meals)	93.045	EA 020-NCN	248,001	-
Special Programs for the Aging, Title III, Part C, Nutrition Services (Home Delivered Meals)	93.045	EA 020-NCN	254,087	-
COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services (Home Delivered Meals)	93.045	EA 020-NCN	<u>512,037</u>	<u>-</u>
			1,237,569	-
Nutrition Services Incentive Program	93.053	EA 020-NCN	<u>232,743</u>	<u>-</u>
Total Aging Cluster			<u>3,238,796</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>3,238,796</u>	<u>-</u>
<i>U.S. Department of Transportation</i>				
Passed through from the Florida Department of Transportation:				
<i>Transit Services Cluster:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities (Operating)	20.513	G1135	<u>250,000</u>	<u>-</u>
Total U.S. Department of Transportation			<u>250,000</u>	<u>-</u>
<i>U.S. Department of Treasury</i>				
Passed through from the Pinellas County Community Foundation:				
Coronavirus Relief Fund	21.019	PCF Pinellas CARES	<u>1,608,700</u>	<u>-</u>
Total U.S. Department of Treasury			<u>1,608,700</u>	<u>-</u>

(Continued)

NEIGHBORLY CARE NETWORK, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

Year Ended December 31, 2020

Federal/State Agency Pass-through Entity/ Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
<i>U.S. Department of Agriculture</i>				
Passed through from the Florida Department of Elder Affairs:				
Child and Adult Care Food Program	10.558	Y6069 19/20	\$ 5,532	-
Child and Adult Care Food Program	10.558	Y6069 20/21	2,211	-
Total U.S. Department of Agriculture			<u>7,743</u>	-
<i>U.S. Small Business Administration</i>				
Disaster Assistance Loans (Economic Injury Disaster Loan)	59.008	n/a	150,000	-
Total U.S. Small Business Administration			<u>150,000</u>	-
Total Expenditures of Federal Awards			\$ <u>5,255,239</u>	-
<i>State of Florida Department of Elder Affairs</i>				
Passed through from the Area Agency on Aging of Pasco-Pinellas, Inc.:				
Local Services Programs - Home Delivered Meals	65.009	EL 019-NCN-2020	\$ 301,818	-
Local Services Programs - Transportation	65.009	EL 019-NCN-2020	168,105	-
Local Services Programs - Adult Day Care	65.009	EL 019-NCN-2020	61,998	-
Local Services Programs - Adult Day Care	65.009	EL 019-NCN-ADC	33,557	-
Total State of Florida Department of Elder Affairs			<u>565,478</u>	-
<i>State of Florida Department of Transportation</i>				
Passed through from the Pinellas Suncoast Transit Authority (PSTA) acting as the Community Transportation Coordinator (CTC):				
Florida Commission for the Transportation Disadvantaged (CTD) Trip and Equipment Grant Program	55.001	CTC CONTRACTS	187,863	-
Total State of Florida Department of Transportation			<u>187,863</u>	-
Total Expenditures of State Financial Assistance			\$ <u>753,341</u>	-

NEIGHBORLY CARE NETWORK, INC.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended December 31, 2020

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the “Schedule”) includes the federal and state grant activity of Neighborly Care Network, Inc. under programs of the federal government and state grant activity of the State of Florida for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Neighborly Care Network, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Neighborly Care Network, Inc. All federal awards and state projects passed through other government agencies are included in the accompanying schedule.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Outstanding Loan

The Economic Injury Disaster Loan (“EIDL”) obtained in 2020 requires repayment of principal and interest starting in June 2021. The balance of the EIDL at December 31, 2020 was \$150,000.

(4) Other

Neighborly Care Network, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NEIGHBORLY CARE NETWORK, INC.

Schedule of Functional Expenses as Required by Area Agency on Aging of Pasco-Pinellas, Inc.

Year Ended December 31, 2020

	Program Services									Supporting Services			Total Expenses	
	Adult Day Care	Transportation	Nutrition - Meals	COVID-19 Meals	CARES Act Meals	Nutrition - Outreach	Nutrition - Education	Nutrition - Counseling	Non-DOEA Program Services	Total	General and Administrative	Fundraising		Total
Salaries and wages	\$ 505,460	701,387	335,488	234,058	386,077	9,579	12,540	17,116	93,873	2,295,578	708,264	118,731	826,995	3,122,573
Payroll taxes	40,418	58,103	26,794	20,820	30,439	816	1,000	1,458	7,501	187,349	47,718	9,299	57,017	244,366
Employee benefits	127,150	141,839	50,341	31,014	49,791	1,821	2,388	2,688	30,570	437,602	158,923	25,163	184,086	621,688
Total personnel related expenses	673,028	901,329	412,623	285,892	466,307	12,216	15,928	21,262	131,944	2,920,529	914,905	153,193	1,068,098	3,988,627
Contract and professional fees	1,865	46,737	2,396	136	-	-	-	-	60	51,194	45,241	7,885	53,126	104,320
Communications and utilities	27,617	8,761	18,462	7,170	16,987	-	-	-	17,458	96,455	7,858	516	8,374	104,829
Occupancy allocation	-	31,825	25,573	13,754	24,736	-	-	-	(377,675)	(281,787)	267,801	13,986	281,787	-
Repairs and maintenance	30,652	181,794	15,972	16,534	30,134	-	-	-	2,001	277,087	35,235	12,893	48,128	325,215
Insurance	23,980	127,847	24,181	17,642	18,978	-	-	-	48,483	261,111	2,072	518	2,590	263,701
Postage, printing and supplies	21,084	19,251	20,374	11,589	49,778	15	-	-	44,375	166,466	11,297	15,763	27,060	193,526
Food costs	13,405	-	784,144	480,592	1,941,678	-	-	-	191,597	3,411,416	-	-	-	3,411,416
Equipment	(90)	-	168	68	683	-	-	-	2,390	3,219	24,414	2,022	26,436	29,655
Vehicle expenses	-	89,873	6,233	4,506	4,028	-	-	-	880	105,520	128	-	128	105,648
Travel	2,983	7	8,024	2,643	7,613	1,263	-	812	50	23,395	38	1,080	1,118	24,513
Operating expenses	1,865	6,886	8,133	4,216	5,481	130	-	-	141,948	168,659	7,268	5,908	13,176	181,835
Financing charges and bank fees	-	-	-	-	-	-	-	-	1,979	1,979	10,157	754	10,911	12,890
Interest	-	-	-	-	-	-	-	-	-	-	36,841	-	36,841	36,841
In-kind	7,878	11,374	247,817	-	-	-	-	-	51	267,120	27,953	13,244	41,197	308,317
Other	546	532	65	299	-	-	-	-	4,205	5,647	6,848	243	7,091	12,738
Depreciation and amortization	21,897	235,944	21,620	-	-	-	-	-	10,065	289,526	35,254	-	35,254	324,780
	826,710	1,662,160	1,595,785	845,041	2,566,403	13,624	15,928	22,074	219,811	7,767,536	1,433,310	228,005	1,661,315	9,428,851
Allocation of:														
Interagency expenses	97,551	(176,150)	(12,261)	-	90,860	-	-	-	-	-	-	-	-	-
General and administrative expenses	161,734	291,364	101,986	64,308	193,425	2,279	2,879	3,769	31,409	853,153	(896,063)	42,910	(853,153)	-
\$	1,085,995	1,777,374	1,685,510	909,349	2,850,688	15,903	18,807	25,843	251,220	8,620,689	537,247	270,915	808,162	9,428,851
Total units	39,978	36,953	194,234	83,410	263,966	612	1,941	103						
Total reimbursed units	39,978	36,953	194,234	83,410	263,966	612	1,941	103						
Cost per unit	\$27.16	\$48.10	\$8.68	\$10.90	\$10.80	\$25.99	\$9.69	\$250.90						
Cost per reimbursed unit	\$27.16	\$48.10	\$8.68	\$10.90	\$10.80	\$25.99	\$9.69	\$250.90						

INTERNAL CONTROL AND COMPLIANCE



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Neighborly Care Network, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighborly Care Network, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Neighborly Care Network, Inc.'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Neighborly Care Network, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neighborly Care Network, Inc.'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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

July 22, 2021
Clearwater, Florida



Independent Auditors’ Report on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General

The Board of Directors
Neighborly Care Network, Inc.:

Report on Compliance for Each Major Federal Program and State Project

We have audited Neighborly Care Network, Inc.’s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the requirements described in the *Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on Neighborly Care Network, Inc.’s major federal programs and state project for the year ended December 31, 2020. Neighborly Care Network, Inc.’s major federal programs and state project are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for Neighborly Care Network, Inc.’s major federal programs and state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”); and Chapter 10.650, *Rules of the State of Florida Auditor General*. Those standards, the Uniform Guidance and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Neighborly Care Network, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs and state project. However, our audit does not provide a legal determination of Neighborly Care Network, Inc.’s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Neighborly Care Network, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs and state project for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Neighborly Care Network, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Neighborly Care Network, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborly Care Network, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffmann McCann P.C.

July 22, 2021
Clearwater, Florida

NEIGHBORLY CARE NETWORK, INC.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

(A) Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Neighborly Care Network, Inc.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Neighborly Care Network, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over compliance relating to the audit of the major federal program and state project are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*.
5. The auditors' report on compliance for the major federal award programs and state project for Neighborly Care Network, Inc. expresses an unmodified opinion.
6. Audit findings, if any, relative to the major federal award programs and state project for Neighborly Care Network, Inc. are reported in Part C and Part D of this schedule.

The programs tested as major federal programs and state project were:

Federal Programs

Coronavirus Relief Fund (CFDA No. 21.019)

Aging Cluster:

Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (CFDA No. 93.044)

Special Programs for the Aging, Title III, Part C, Nutrition Services (CFDA No. 93.045)

Nutrition Services Incentive Program (CFDA No. 93.053)

State Project

Local Services Programs (CSFA No. 65.009)

7. The threshold for distinguishing Types A and B programs was \$750,000 for major federal programs and \$300,000 for major state projects.
8. Neighborly Care Network, Inc. was not determined to be a low-risk auditee.

NEIGHBORLY CARE NETWORK, INC.

Schedule of Findings and Questioned Costs - Continued

(B) Findings - Audit of the Financial Statements

None.

(C) Findings and Questioned Costs - Major Federal Award Programs

None.

(D) Findings and Questioned Costs - Major State Financial Assistance Project

None.



The Board of Directors
Neighborly Care Network, Inc.:

Report on Financial Statements

We have audited the financial statements of Neighborly Care Network, Inc. as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated July 22, 2021.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and Chapter 10.650, *Rules of the State of Florida Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, our Independent Auditors' Report on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated July 22, 2021, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not identify any such findings.

Purpose of This Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

July 22, 2021
Clearwater, Florida