

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, 2021 and 2020
(With Independent Auditors' Report Thereon)**

NEIGHBORLY CARE NETWORK, INC.

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AUDITED FINANCIAL STATEMENTS



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

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

Opinion

We have audited the accompanying financial statements of Neighborly Care Network, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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, 2021, 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 Neighborly Care Network, Inc. as of December 31, 2021 and 2020, 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, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 audits.
- 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 audits 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 Organization'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 Organization'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.

Report on Summarized Comparative Information

We have previously audited Neighborly Care Network, Inc.'s 2020 financial statements, and our report dated July 22, 2021 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2020, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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*, Chapter 10.650, *Rules of the State of Florida Auditor General* is presented for purposes of additional analysis and is 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Organization'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 Organization's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

July 14, 2022
St. Petersburg, Florida

NEIGHBORLY CARE NETWORK, INC.**Statements of Financial Position****December 31, 2021 and 2020**

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 518,402 | 132,739 |
| Accounts receivable: | | |
| Grants and contracts | 1,109,700 | 1,411,079 |
| Client fees and 3rd party insurance | 125,668 | 309,022 |
| Current portion of note receivable | 13,474 | 12,944 |
| Prepaid expenses | <u>107,123</u> | <u>103,614</u> |
| Total current assets | 1,874,367 | 1,969,398 |
| Investments | 602,202 | 965,383 |
| Receivable under charitable remainder trusts | 639,592 | 591,865 |
| Note receivable, less current portion | 548,640 | 562,114 |
| Property and equipment, net | 2,065,019 | 1,894,588 |
| Other assets | <u>36,198</u> | <u>36,198</u> |
| Total assets | <u>\$ 5,766,018</u> | <u>6,019,546</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Line of credit | \$ 274,632 | - |
| Current installments of long-term debt | 3,328 | 2,421 |
| Accounts payable | 508,541 | 494,365 |
| Accrued expenses: | | |
| Salaries and payroll taxes | 132,165 | 112,951 |
| Annual leave | 211,116 | 210,866 |
| Refundable advance | <u>35,063</u> | <u>50,000</u> |
| Total current liabilities | 1,164,845 | 870,603 |
| Long-term debt, less current installments | <u>148,831</u> | <u>147,579</u> |
| Total liabilities | 1,313,676 | 1,018,182 |
| Net assets: | | |
| Without donor restrictions | 3,210,548 | 3,441,381 |
| With donor restrictions | <u>1,241,794</u> | <u>1,559,983</u> |
| Total net assets | <u>4,452,342</u> | <u>5,001,364</u> |
| Total liabilities and net assets | <u>\$ 5,766,018</u> | <u>6,019,546</u> |

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

NEIGHBORLY CARE NETWORK, INC.

Statement of Activities

**Year Ended December 31, 2021
(With Comparative Totals for 2020)**

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|--|---|--|--------------|-------------|
| | | | 2021 | 2020 |
| Operating support and revenue: | | | | |
| Public support: | | | | |
| Grants and contracts | \$ 6,375,449 | - | 6,375,449 | 7,485,045 |
| Contributions | 269,611 | - | 269,611 | 367,812 |
| United Way allocations | - | - | - | 10,165 |
| In-kind support | 362,568 | - | 362,568 | 308,317 |
| Client fees: | | | | |
| Adult day care | 420,768 | - | 420,768 | 265,606 |
| Nutrition | 534,413 | - | 534,413 | 362,271 |
| Other | 57,492 | - | 57,492 | 86,607 |
| Other revenue | 122,323 | - | 122,323 | 83,100 |
| Endowment return utilized in operations | 430,000 | - | 430,000 | 290,000 |
| Net assets released from restrictions: | | | | |
| Satisfaction of use restrictions | 8,064 | (8,064) | - | - |
| Total operating support and revenue | 8,580,688 | (8,064) | 8,572,624 | 9,258,923 |
| Operating expenses: | | | | |
| Program services | 7,561,870 | - | 7,561,870 | 7,767,536 |
| Supporting services | 1,526,116 | - | 1,526,116 | 1,661,315 |
| Total operating expenses | 9,087,986 | - | 9,087,986 | 9,428,851 |
| Change in net assets from operations | (507,298) | (8,064) | (515,362) | (169,928) |
| Other changes: | | | | |
| Capital grants | 270,875 | - | 270,875 | - |
| Investment return | - | 66,819 | 66,819 | 57,030 |
| Endowment return utilized in operations | - | (430,000) | (430,000) | (290,000) |
| Change in value of split-interest agreements | - | 53,056 | 53,056 | 61,155 |
| Gain on sale of equipment | 5,590 | - | 5,590 | 61 |
| Gain on interest rate swap | - | - | - | 845 |
| Total other changes | 276,465 | (310,125) | (33,660) | (170,909) |
| Change in net assets | (230,833) | (318,189) | (549,022) | (340,837) |
| Net assets, beginning of year | 3,441,381 | 1,559,983 | 5,001,364 | 5,342,201 |
| Net assets, end of year | \$ 3,210,548 | 1,241,794 | 4,452,342 | 5,001,364 |

NEIGHBORLY CARE NETWORK, INC.

Statement of Activities

Year Ended December 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|-------------------------|
| Operating support and revenue: | | | |
| Public support: | | | |
| Grants and contracts | \$ 7,485,045 | - | 7,485,045 |
| Contributions | 337,812 | 30,000 | 367,812 |
| United Way allocations | 10,165 | - | 10,165 |
| In-kind support | 308,317 | - | 308,317 |
| Client fees: | | | |
| Adult day care | 265,606 | - | 265,606 |
| Nutrition | 362,271 | - | 362,271 |
| Other | 86,607 | - | 86,607 |
| Other revenue | 83,100 | - | 83,100 |
| Endowment return utilized in operations | 290,000 | - | 290,000 |
| Net assets released from restrictions: | | | |
| Satisfaction of use restrictions | <u>59,420</u> | <u>(59,420)</u> | <u>-</u> |
| Total operating support and revenue | 9,288,343 | (29,420) | 9,258,923 |
| Operating expenses: | | | |
| Program services | 7,767,536 | - | 7,767,536 |
| Supporting services | <u>1,661,315</u> | <u>-</u> | <u>1,661,315</u> |
| Total operating expenses | <u>9,428,851</u> | <u>-</u> | <u>9,428,851</u> |
| Change in net assets from operations | (140,508) | (29,420) | (169,928) |
| Other changes: | | | |
| Investment return | - | 57,030 | 57,030 |
| Endowment return utilized in operations | - | (290,000) | (290,000) |
| Change in value of split-interest agreements | - | 61,155 | 61,155 |
| Loss on sale of equipment | 61 | - | 61 |
| Loss on interest rate swap | <u>845</u> | <u>-</u> | <u>845</u> |
| Total other changes | <u>906</u> | <u>(171,815)</u> | <u>(170,909)</u> |
| Change in net assets | (139,602) | (201,235) | (340,837) |
| Net assets, beginning of year | <u>3,580,983</u> | <u>1,761,218</u> | <u>5,342,201</u> |
| Net assets, end of year | \$ <u><u>3,441,381</u></u> | <u><u>1,559,983</u></u> | <u><u>5,001,364</u></u> |

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

NEIGHBORLY CARE NETWORK, INC.

Statement of Functional Expenses

**Year Ended December 31, 2021
(With Comparative Totals for 2020)**

| | Program Services | | | | | | Supporting Services | | | Total Expenses | |
|---|------------------|----------------|-----------|----------------|---------------------|-----------|----------------------------|-------------|-----------|----------------|-----------|
| | Adult Day Care | Transportation | Nutrition | Other Programs | Program Maintenance | Total | General and Administrative | Fundraising | Total | 2021 | 2020 |
| Salaries and wages | \$ 603,407 | 720,162 | 1,161,123 | 1,113 | 41,563 | 2,527,368 | 592,009 | 130,402 | 722,411 | 3,249,779 | 3,122,573 |
| Payroll taxes | 46,356 | 57,696 | 91,873 | 91 | 3,657 | 199,673 | 47,497 | 10,379 | 57,876 | 257,549 | 244,366 |
| Employee benefits | 133,377 | 140,154 | 182,211 | 438 | 12,994 | 469,174 | 146,342 | 25,208 | 171,550 | 640,724 | 621,688 |
| Total personnel related expenses | 783,140 | 918,012 | 1,435,207 | 1,642 | 58,214 | 3,196,215 | 785,848 | 165,989 | 951,837 | 4,148,052 | 3,988,627 |
| Contract and professional fees | 2,634 | 54,637 | 3,863 | - | - | 61,134 | 58,071 | 25,631 | 83,702 | 144,836 | 104,320 |
| Communications and utilities | 25,636 | 3,431 | 75,078 | - | 6,402 | 110,547 | 9,173 | 389 | 9,562 | 120,109 | 104,829 |
| Occupancy allocation | - | 26,112 | 52,971 | - | (319,894) | (240,811) | 229,819 | 10,992 | 240,811 | - | - |
| Repairs and maintenance | 40,696 | 184,743 | 85,701 | - | 1,261 | 312,401 | 34,024 | 10,663 | 44,687 | 357,088 | 325,215 |
| Insurance | 27,427 | 128,992 | 77,292 | - | 62,512 | 296,223 | 2,348 | 587 | 2,935 | 299,158 | 263,701 |
| Postage, printing and supplies | 16,765 | 6,944 | 35,473 | 29 | 26,416 | 85,627 | 7,867 | 21,093 | 28,960 | 114,587 | 193,526 |
| Food costs | 24,889 | - | 2,757,751 | - | - | 2,782,640 | - | - | - | 2,782,640 | 3,411,416 |
| Equipment | 189 | 40 | 228 | - | 2,124 | 2,581 | 31,399 | 3,168 | 34,567 | 37,148 | 29,655 |
| Vehicle expenses | - | 136,287 | 25,881 | - | 1,050 | 163,218 | - | - | - | 163,218 | 105,648 |
| Travel | 3,651 | 55 | 17,681 | - | - | 21,387 | 486 | 1,704 | 2,190 | 23,577 | 24,513 |
| Operating expenses | 24,486 | 5,063 | 19,946 | - | 154,872 | 204,367 | 11,729 | 1,744 | 13,473 | 217,840 | 181,835 |
| Financing charges and bank fees | - | - | - | - | 3,380 | 3,380 | 4,087 | 1,689 | 5,776 | 9,156 | 12,890 |
| Interest | 6 | - | - | - | - | 6 | 8,278 | - | 8,278 | 8,284 | 36,841 |
| In-kind | 8,395 | 20,133 | 274,454 | - | - | 302,982 | 56,096 | 3,490 | 59,586 | 362,568 | 308,317 |
| Other | 1,673 | 326 | 550 | - | 86 | 2,635 | 5,187 | 245 | 5,432 | 8,067 | 12,738 |
| Total expenses before depreciation and amortization | 959,587 | 1,484,775 | 4,862,076 | 1,671 | (3,577) | 7,304,532 | 1,244,412 | 247,384 | 1,491,796 | 8,796,328 | 9,104,071 |
| Depreciation and amortization | 35,525 | 176,989 | 41,247 | - | 3,577 | 257,338 | 34,320 | - | 34,320 | 291,658 | 324,780 |
| Total expenses - 2021 | \$ 995,112 | 1,661,764 | 4,903,323 | 1,671 | - | 7,561,870 | 1,278,732 | 247,384 | 1,526,116 | 9,087,986 | |
| 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 |

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

NEIGHBORLY CARE NETWORK, INC.

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (549,022) | (340,837) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 291,658 | 324,780 |
| Net realized and unrealized gains on investments | (57,977) | (37,217) |
| Change in value of split-interest agreements | (53,056) | (61,155) |
| Gain on interest rate swap | - | (845) |
| Gain on sale of equipment | (5,590) | (61) |
| Government grants to acquire and improve capital assets | (270,875) | - |
| Noncash interest expense | 3,788 | - |
| Changes in assets and liabilities: | | |
| Receivables | 490,062 | (605,683) |
| Prepaid expenses and other assets | (3,509) | (43,264) |
| Accounts payable | 14,176 | 147,213 |
| Accrued expenses | 19,464 | 65,974 |
| Refundable advance | <u>(14,937)</u> | <u>50,000</u> |
| Net cash used in operating activities | (135,818) | (501,095) |
| Cash flows from investing activities: | | |
| Proceeds from sale and maturity of investments | 1,019,543 | 1,417,915 |
| Purchases of investments | (598,385) | (1,147,728) |
| Principal payments received under note receivable | 12,944 | 13,525 |
| Proceeds from the sale of property | - | 176,522 |
| Proceeds from sale of equipment | 5,590 | 269 |
| Purchases of property and equipment | <u>(462,089)</u> | <u>(232,895)</u> |
| Net cash provided by (used in) investing activities | (22,397) | 227,608 |
| Cash flows from financing activities: | | |
| Government grants to acquire and improve capital assets | 270,875 | - |
| Net borrowings under line of credit | 274,632 | - |
| Payment of obligation under interest rate swap agreement | - | (367,400) |
| Proceeds received from issuance of long-term debt | - | 150,000 |
| Principal paid on long-term debt | <u>(1,629)</u> | <u>-</u> |
| Net cash provided by (used in) financing activities | <u>543,878</u> | <u>(217,400)</u> |
| Net increase (decrease) in cash | 385,663 | (490,887) |
| Cash at beginning of year | <u>132,739</u> | <u>623,626</u> |
| Cash at end of year | \$ <u>518,402</u> | \$ <u>132,739</u> |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ <u>4,496</u> | \$ <u>43,364</u> |
| Repayment of bonds payable from sale of property held for sale | \$ <u>-</u> | \$ <u>2,985,000</u> |

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

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

(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. 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, 2021 and 2020, the Organization had \$310,753 and \$55,124, respectively, which exceeded these insured amounts.

(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, 2021 and 2020, 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) 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.

(i) 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.

(j) 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.

(k) 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

(l) 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.

(m) 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.

(n) 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.

(o) Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

(p) Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2021 and 2020 was \$15,401 and \$11,112, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(q) 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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities. The ASU will require a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The ASU will also require enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the impact this ASU will have on its financial statements.

(2) Investments

At December 31, 2021 and 2020, the cost and market values of investments are as follows:

| | 2021 | | 2020 | |
|-------------------------|------------|---------|---------|---------|
| | Cost | Market | Cost | Market |
| Investments: | | | | |
| Money market funds | \$ 33,550 | 33,550 | 18,740 | 18,740 |
| Fixed income securities | 693 | 685 | 3,104 | 3,103 |
| Common stock | 92,158 | 125,691 | 127,724 | 142,482 |
| Equity mutual funds | 185,621 | 188,628 | 478,984 | 496,121 |
| Exchange traded funds | 200,821 | 253,648 | 279,584 | 304,937 |
| | \$ 512,843 | 602,202 | 908,136 | 965,383 |

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, 2021 and 2020:

| | 2021 | 2020 |
|-------------------------------|-------------|-------------|
| Dividend and interest income | \$ 16,532 | 28,437 |
| Realized and unrealized gains | 57,977 | 37,217 |
| Investment management fees | (7,690) | (8,624) |
| | \$ 66,819 | 57,030 |

(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 17, 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, 2021 and 2020 was \$562,114 and \$575,058, respectively.

(5) Property and Equipment

Property and equipment consist of the following at December 31, 2021 and 2020:

| | 2021 | 2020 |
|--|--------------|-------------|
| Land | \$ 686,553 | 686,553 |
| Building and improvements | 1,251,691 | 1,143,084 |
| Computer hardware and software | 1,726,022 | 1,722,250 |
| Furniture and transportation equipment | 3,274,983 | 3,043,399 |
| | 6,939,249 | 6,595,286 |
| Less accumulated depreciation | (4,874,230) | (4,700,698) |
| | \$ 2,065,019 | 1,894,588 |

Depreciation expense for the years ended December 31, 2021 and 2020 was \$291,658 and \$324,780, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(6) Line of Credit

On March 5, 2021, the Organization entered into a line of credit agreement with Valley National Bank which allows the Organization to borrow up to \$500,000. Draws under the line of credit are due on demand and bear interest at the Wall Street Journal prime rate plus 50 basis points (3.75% at December 31, 2021). The line of credit agreement includes certain affirmative and negative covenants. At December 31, 2021, the Organization was out of compliance with one financial covenant, however, Valley National Bank issued a waiver for this noncompliance. The balance of the line of credit as of December 31, 2021 was \$274,632.

(7) 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 year ended December 31, 2020 was \$36,841.

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, including initial accrued interest, for each of the five years subsequent to December 31, 2021 and thereafter are as follows:

| <u>Year Ending December 31,</u> | |
|---|-------------------|
| 2022 | \$ 3,328 |
| 2023 | 3,782 |
| 2024 | 3,888 |
| 2025 | 3,996 |
| 2026 | 4,107 |
| Thereafter | <u>133,058</u> |
| Total maturities | 152,159 |
| Less current installments of long-term debt | <u>3,328</u> |
| Long-term debt, less current installments | <u>\$ 148,831</u> |

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(8) 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, from the change in the fair value of the interest rate swap agreement.

(9) 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, 2021 and 2020 was approximately \$183,000 and \$149,000, respectively.

Future minimum lease payments under noncancellable operating leases as of December 31, 2021 is as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|-------------------|
| 2022 | \$ 181,361 |
| 2023 | 43,526 |
| 2024 | 30,996 |
| 2025 | 30,996 |
| 2026 | 30,996 |
| Thereafter | <u>100,737</u> |
| | <u>\$ 418,612</u> |

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2021 and 2020 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|------------------|
| Subject to use restrictions: | | |
| Receivable under charitable remainder trust | 639,592 | 591,865 |
| Other contributions | - | 2,735 |
| | <u>639,592</u> | <u>594,600</u> |
| Endowments restricted in perpetuity: | | |
| Meals on Wheels endowment | 598,325 | 959,169 |
| Lealman Adult Day Care Center endowment | 2,584 | 2,071 |
| General endowment | 1,293 | 4,143 |
| | <u>602,202</u> | <u>965,383</u> |
| Total net assets with donor restrictions | <u>\$ 1,241,794</u> | <u>1,559,983</u> |

(11) 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

(11) 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, 2021, the Organization's endowment funds with deficiencies were reported in net assets with donor restrictions as follows:

| | | |
|--|----|-------------------------|
| Fair value of endowments | \$ | 602,202 |
| Original endowment gifts | | <u>1,563,548</u> |
| Deficiencies of underwater endowment funds | \$ | <u><u>(961,346)</u></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, 2021 and 2020 is as follows:

| | <u>Net Assets Without Donor Restrictions</u> | <u>Net Assets With Donor Restrictions</u> | <u>Total</u> |
|----------------------------------|--|---|-----------------------|
| 2021: | | | |
| Donor-restricted endowment funds | \$ <u>-</u> | <u>602,202</u> | <u>602,202</u> |
| | \$ <u><u>-</u></u> | <u><u>602,202</u></u> | <u><u>602,202</u></u> |
| 2020: | | | |
| Donor-restricted endowment funds | \$ <u>-</u> | <u>965,383</u> | <u>965,383</u> |
| | \$ <u><u>-</u></u> | <u><u>965,383</u></u> | <u><u>965,383</u></u> |

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(11) Endowments - Continued

Return Objectives and Spending Policy - Continued

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|--|---|--|-----------|
| 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 |
| Investment return | - | 66,819 | 66,819 |
| Appropriation of endowment assets pursuant to spending policy | - | (430,000) | (430,000) |
| Endowment net assets at December 31, 2021 | \$ - | 602,202 | 602,202 |

(12) 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 \$1,267,872 and \$1,020,578 for the years ended December 31, 2021 and 2020, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(13) 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, 2021 and 2020, the Organization's financial assets available to meet cash needs for general expenditures within one year are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|------------------|
| Financial assets: | | |
| Cash | \$ 518,402 | 132,739 |
| Accounts receivable | 1,235,368 | 1,720,101 |
| Note receivable | 562,114 | 575,058 |
| Investments | 602,202 | 965,383 |
| Receivables under charitable remainder trusts | <u>639,592</u> | <u>591,865</u> |
| Total financial assets | 3,557,678 | 3,985,146 |
| Less amounts unavailable for general expenditure within one year due to: | | |
| Contractual or donor restrictions: | | |
| Donor imposed restrictions | (639,592) | (594,600) |
| Endowments | (602,202) | (965,383) |
| Noncurrent portion of note receivable | <u>(548,640)</u> | <u>(562,114)</u> |
| | <u>\$ 1,767,244</u> | <u>1,863,049</u> |

(14) 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, 2021 and 2020 were \$136,200 and \$124,300, respectively, representing 5% of eligible compensation in 2021 and 2020, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(15) Concentration of Revenue and Other Support

One funding source provided approximately 62% and 43% of the Organization's operating revenue and support (excluding endowment distributions) in 2021 and 2020, respectively.

(16) 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.

(17) 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

(17) Fair Value Measurements - Continued

Fair value of assets and liabilities measured on a recurring basis as of December 31, 2021 and 2020 are as follows:

| | Fair Value at December 31, 2021 | Level 1 | Level 2 | Level 3 |
|---|--|----------------|----------------|----------------|
| Assets: | | | | |
| Investments: | | | | |
| Money market funds | \$ 33,550 | 33,550 | - | - |
| Equity securities: | | | | |
| Common stock | 125,691 | 125,691 | - | - |
| Mutual funds | 188,628 | 188,628 | - | - |
| Exchange traded funds | 253,648 | 253,648 | - | - |
| Fixed income mutual funds | 685 | 685 | - | - |
| | <u>602,202</u> | <u>602,202</u> | <u>-</u> | <u>-</u> |
| Receivable under charitable remainder trust | <u>639,592</u> | <u>-</u> | <u>-</u> | <u>639,592</u> |
| | <u>\$ 1,241,794</u> | <u>602,202</u> | <u>-</u> | <u>639,592</u> |
| | | | | |
| | Fair Value at December 31, 2020 | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Investments: | | | | |
| Money market funds | \$ 18,740 | 18,740 | - | - |
| Equity securities: | | | | |
| Common stock | 142,482 | 142,482 | - | - |
| Mutual funds | 496,121 | 496,121 | - | - |
| Exchange traded funds | 304,937 | 304,937 | - | - |
| Fixed income mutual funds | 3,103 | 3,103 | - | - |
| | <u>965,383</u> | <u>965,383</u> | <u>-</u> | <u>-</u> |
| Receivable under charitable remainder trust | <u>591,865</u> | <u>-</u> | <u>-</u> | <u>591,865</u> |
| | <u>\$ 1,557,248</u> | <u>965,383</u> | <u>-</u> | <u>591,865</u> |

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(17) 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, 2021 and 2020:

| | <u>Receivable Under Charitable Remainder Trusts</u> |
|---|---|
| Balances at December 31, 2019 | \$ 530,710 |
| Total gains included in changes in net assets | 61,155 |
| Purchases, issues, sales and settlements: | |
| Purchases | - |
| Issues | - |
| Sales | - |
| Settlements | - |
| | <hr/> |
| Balances at December 31, 2020 | 591,865 |
| Total gains included in changes in net assets | 53,056 |
| Purchases, issues, sales and settlements: | |
| Purchases | - |
| Issues | - |
| Sales | - |
| Settlements | (5,329) |
| | <hr/> |
| Balances at December 31, 2021 | \$ <u><u>639,592</u></u> |

(18) Subsequent Events

Management has evaluated subsequent events through July 14, 2022, 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, 2021

| Federal/State Agency Pass-through Entity/ Federal Program/State Project | Assistance Listing 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 021-NCN | \$ 268,201 | - |
| Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Adult Day Care) | 93.044 | EA 021-NCN | 398,681 | - |
| | | | 666,882 | - |
| Special Programs for the Aging, Title III, Part C, Nutrition Services (Congregate Meals) | 93.045 | EA 021-NCN | 603,395 | - |
| Special Programs for the Aging, Title III, Part C, Nutrition Services (Home Delivered Meals) | 93.045 | EA 021-NCN | 1,968,088 | - |
| Special Programs for the Aging, Title III, Part C, Nutrition Services (Congregate Meals) CCAA Coronavirus Consolidation Appropriation Act | 93.045 | ECV21-NCN | 93,854 | - |
| Special Programs for the Aging, Title III, Part C, Nutrition Services (Home Delivered Meals) CCAA Coronavirus Consolidation Appropriation Act | 93.045 | ECV21-NCN | 628,102 | - |
| | | | 3,293,439 | - |
| Nutrition Services Incentive Program | 93.053 | EA 021-NCN | 233,512 | - |
| Total Aging Cluster | | | 4,193,833 | - |
| Total U.S. Department of Health and Human Services | | | 4,193,833 | - |
| <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 (Capital) | 20.513 | 435210-7-93-17 | 270,875 | |
| Enhanced Mobility of Seniors and Individuals with Disabilities (Operating) | 20.513 | G1T35 | 300,000 | - |
| Total U.S. Department of Transportation | | | 570,875 | - |
| <i>U.S. Department of Treasury</i> | | | | |
| Passed through from the Pinellas County Community Foundation: | | | | |
| Coronavirus Relief Fund | 21.019 | PCF Pinellas CARES | 170,522 | - |
| Total U.S. Department of Treasury | | | 170,522 | - |
| <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 20/21 | 11,026 | |
| Child and Adult Care Food Program | 10.558 | Y6069 21/22 | 4,763 | - |
| Total U.S. Department of Agriculture | | | 15,789 | - |

(Continued)

NEIGHBORLY CARE NETWORK, INC.

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

Year Ended December 31, 2021

| Federal/State Agency Pass-through Entity/ Federal Program/State Project | Assistance Listing / CSFA Number | Contract/ Grant Number | Expenditures | Transfers to Subrecipients |
|---|---|---------------------------------------|---------------------|---------------------------------------|
| <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> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 5,101,019</u> | <u>-</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 020-NCN-2021 | \$ 301,818 | - |
| Local Services Programs - Transportation | 65.009 | EL 020-NCN-2021 | 168,105 | - |
| Local Services Programs - Adult Day Care | 65.009 | EL 020-NCN-2021 | 61,998 | - |
| Local Services Programs - Adult Day Care | 65.009 | EL 020-NCN-2021 | <u>72,135</u> | <u>-</u> |
| Total State of Florida Department of Elder Affairs | | | <u>604,056</u> | <u>-</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 | <u>180,159</u> | <u>-</u> |
| Total State of Florida Department of Transportation | | | <u>180,159</u> | <u>-</u> |
| Total Expenditures of State Financial Assistance | | | <u>\$ 784,215</u> | <u>-</u> |

NEIGHBORLY CARE NETWORK, INC.

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

Year Ended December 31, 2021

(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, 2021. 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, 2021 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, 2021

| | Program Services | | | | | | | | Supporting Services | | | Total Expenses | |
|-------------------------------------|------------------|----------------|-------------------|-----------------|----------------------|-----------------------|------------------------|---------------------------|---------------------|----------------------------|-------------|----------------|-----------|
| | Adult Day Care | Transportation | Nutrition - Meals | CARES Act Meals | Nutrition - Outreach | Nutrition - Education | Nutrition - Counseling | Non-DOEA Program Services | Total | General and Administrative | Fundraising | | Total |
| Salaries and wages | \$ 603,407 | 720,162 | 1,090,396 | 2,694 | 11,672 | 7,850 | 27,995 | 63,192 | 2,527,368 | 592,009 | 130,402 | 722,411 | 3,249,779 |
| Payroll taxes | 46,356 | 57,696 | 86,078 | 328 | 943 | 635 | 2,256 | 5,381 | 199,673 | 47,497 | 10,379 | 57,876 | 257,549 |
| Employee benefits | 133,377 | 140,154 | 169,294 | 4,072 | 1,307 | 616 | 2,744 | 17,610 | 469,174 | 146,342 | 25,208 | 171,550 | 640,724 |
| Total personnel related expenses | 783,140 | 918,012 | 1,345,768 | 7,094 | 13,922 | 9,101 | 32,995 | 86,183 | 3,196,215 | 785,848 | 165,989 | 951,837 | 4,148,052 |
| Contract and professional fees | 2,634 | 54,637 | 3,863 | - | - | - | - | - | 61,134 | 58,071 | 25,631 | 83,702 | 144,836 |
| Communications and utilities | 25,636 | 3,431 | 74,803 | 275 | - | - | - | 6,402 | 110,547 | 9,173 | 389 | 9,562 | 120,109 |
| Occupancy allocation | - | 26,112 | 52,971 | - | - | - | - | (319,894) | (240,811) | 229,819 | 10,992 | 240,811 | - |
| Repairs and maintenance | 40,696 | 184,743 | 85,521 | 180 | - | - | - | 1,261 | 312,401 | 34,024 | 10,663 | 44,687 | 357,088 |
| Insurance | 27,427 | 128,992 | 77,214 | 78 | - | - | - | 62,512 | 296,223 | 2,348 | 587 | 2,935 | 299,158 |
| Postage, printing and supplies | 16,765 | 6,944 | 35,330 | - | 20 | 35 | 59 | 26,474 | 85,627 | 7,867 | 21,093 | 28,960 | 114,587 |
| Food costs | 24,889 | - | 2,476,418 | - | - | - | - | 281,333 | 2,782,640 | - | - | - | 2,782,640 |
| Equipment | 189 | 40 | 228 | - | - | - | - | 2,124 | 2,581 | 31,399 | 3,168 | 34,567 | 37,148 |
| Vehicle expenses | - | 136,287 | 25,881 | - | - | - | - | 1,050 | 163,218 | - | - | - | 163,218 |
| Travel | 3,651 | 55 | 16,254 | - | 1,358 | - | 69 | - | 21,387 | 486 | 1,704 | 2,190 | 23,577 |
| Operating expenses | 24,486 | 5,063 | 19,406 | 540 | - | - | - | 154,872 | 204,367 | 11,729 | 1,744 | 13,473 | 217,840 |
| Financing charges and bank fees | - | - | - | - | - | - | - | 3,380 | 3,380 | 4,087 | 1,689 | 5,776 | 9,156 |
| Interest | 6 | - | - | - | - | - | - | - | 6 | 8,278 | - | 8,278 | 8,284 |
| In-kind | 8,395 | 20,133 | 274,454 | - | - | - | - | - | 302,982 | 56,096 | 3,490 | 59,586 | 362,568 |
| Other | 1,673 | 326 | 550 | - | - | - | - | 86 | 2,635 | 5,187 | 245 | 5,432 | 8,067 |
| Depreciation and amortization | 35,525 | 176,989 | 41,247 | - | - | - | - | 3,577 | 257,338 | 34,320 | - | 34,320 | 291,658 |
| | 995,112 | 1,661,764 | 4,529,908 | 8,167 | 15,300 | 9,136 | 33,123 | 309,360 | 7,561,870 | 1,278,732 | 247,384 | 1,526,116 | 9,087,986 |
| Allocation of: | | | | | | | | | | | | | |
| Interagency expenses | 188,819 | (194,860) | (10,229) | 16,270 | - | - | - | - | - | - | - | - | - |
| General and administrative expenses | 207,408 | 289,748 | 381,525 | 4,313 | 2,703 | 1,614 | 5,851 | 5,123 | 898,285 | (942,163) | 43,878 | (898,285) | - |
| | \$ 1,391,339 | 1,756,652 | 4,901,204 | 28,750 | 18,003 | 10,750 | 38,974 | 314,483 | 8,460,155 | 336,569 | 291,262 | 627,831 | 9,087,986 |
| Total units | 42,882 | 59,860 | 653,030 | - | 769 | 1,941 | 535 | | | | | | |
| Total reimbursed units | 42,882 | 59,860 | 653,030 | - | 769 | 1,941 | 535 | | | | | | |
| Cost per unit | \$32.45 | \$29.35 | \$7.51 | \$0 | \$23.41 | \$5.54 | \$72.85 | | | | | | |
| Cost per reimbursed unit | \$32.45 | \$29.35 | \$7.51 | \$0 | \$23.41 | \$5.54 | \$72.85 | | | | | | |

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, 2021, 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 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

July 14, 2022
St. Petersburg, 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 State of Florida Auditor General

The Board of Directors
Neighborly Care Network, Inc.:

Report on Compliance for Each Major Federal Program and State Project

Opinion on 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, 2021. 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.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state project.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; 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* (“Chapter 10.650”). Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650 are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization’s federal programs and state projects.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major program and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Hoffman McCann P.C.

July 14, 2022
St. Petersburg, Florida

NEIGHBORLY CARE NETWORK, INC.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

(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 programs 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

Aging Cluster:

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

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

Nutrition Services Incentive Program (AL 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 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, 2021 and 2020, and have issued our report thereon dated July 14, 2022.

Auditors' Responsibility

We conducted our audits 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 14, 2022, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), *Rules of the State of Florida 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 14, 2022
St. Petersburg, Florida

