

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, 2022 and 2021
(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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, 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, 2022 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. 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization changed its method of accounting for leases as a result of the adoption of the Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

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 audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2021 financial statements, and our report dated July 14, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2021, 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*, and 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 27, 2023 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 27, 2023
St. Petersburg, Florida

NEIGHBORLY CARE NETWORK, INC.

Statements of Financial Position

December 31, 2022 and 2021

Assets	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 763,239	518,402
Accounts receivable:		
Grants and contracts	2,349,873	1,109,700
Client fees and 3rd party insurance	181,833	125,668
Current portion of note receivable	14,025	13,474
Prepaid expenses	<u>70,890</u>	<u>107,123</u>
Total current assets	3,379,860	1,874,367
Investments	532,710	602,202
Receivable under charitable remainder trust	525,510	639,592
Note receivable, less current portion	534,616	548,640
Property and equipment, net	1,960,540	2,065,019
Right-of-use assets - operating leases	509,426	-
Other assets	<u>26,069</u>	<u>36,198</u>
Total assets	<u>\$ 7,468,731</u>	<u>5,766,018</u>
Liabilities and Net Assets		
Current liabilities:		
Line of credit	\$ 458,126	274,632
Current portion of operating lease liabilities	171,681	-
Current portion of finance lease liabilities	29,766	-
Current portion of long-term debt	3,425	3,328
Accounts payable	424,841	508,541
Accrued expenses	358,846	343,281
Refundable advance	<u>7,495</u>	<u>35,063</u>
Total current liabilities	1,454,180	1,164,845
Operating lease liabilities, less current portion	337,745	-
Finance lease liabilities, less current portion	89,165	-
Long-term debt, less current portion	<u>145,407</u>	<u>148,831</u>
Total liabilities	2,026,497	1,313,676
Net assets:		
Without donor restrictions	4,384,014	3,210,548
With donor restrictions	<u>1,058,220</u>	<u>1,241,794</u>
Total net assets	<u>5,442,234</u>	<u>4,452,342</u>
Total liabilities and net assets	<u>\$ 7,468,731</u>	<u>5,766,018</u>

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

NEIGHBORLY CARE NETWORK, INC.

Statement of Activities

Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Operating support and revenue:				
Public support:				
Grants and contracts	\$ 8,849,869	-	8,849,869	6,375,449
Contributions	400,850	-	400,850	269,611
In-kind support	369,659	-	369,659	362,568
Client fees:				
Adult day care	463,236	-	463,236	420,768
Nutrition	533,005	-	533,005	534,413
Other	128,135	-	128,135	57,492
Other revenue	84,781	-	84,781	122,323
Endowment return utilized in operations	-	-	-	430,000
Net assets released from restrictions:				
Satisfaction of use restrictions	8,104	(8,104)	-	-
Total operating support and revenue	10,837,639	(8,104)	10,829,535	8,572,624
Operating expenses:				
Program services	8,072,109	-	8,072,109	7,561,870
Supporting services	1,732,793	-	1,732,793	1,526,116
Total operating expenses	9,804,902	-	9,804,902	9,087,986
Change in net assets from operations	1,032,737	(8,104)	1,024,633	(515,362)
Other changes:				
Capital grants	20,000	-	20,000	270,875
Investment return	108,509	(69,492)	39,017	66,819
Endowment return utilized in operations	-	-	-	(430,000)
Change in value of split-interest agreements	-	(105,978)	(105,978)	53,056
Gain on sale of equipment	12,220	-	12,220	5,590
Total other changes	140,729	(175,470)	(34,741)	(33,660)
Change in net assets	1,173,466	(183,574)	989,892	(549,022)
Net assets, beginning of year	3,210,548	1,241,794	4,452,342	5,001,364
Net assets, end of year	\$ 4,384,014	1,058,220	5,442,234	4,452,342

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

NEIGHBORLY CARE NETWORK, INC.

Statement of Activities

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating support and revenue:			
Public support:			
Grants and contracts	\$ 6,375,449	-	6,375,449
Contributions	269,611	-	269,611
In-kind support	362,568	-	362,568
Client fees:			
Adult day care	420,768	-	420,768
Nutrition	534,413	-	534,413
Other	57,492	-	57,492
Other revenue	122,323	-	122,323
Endowment return utilized in operations	430,000	-	430,000
Net assets released from restrictions:			
Satisfaction of use restrictions	8,064	(8,064)	-
Total operating support and revenue	<u>8,580,688</u>	<u>(8,064)</u>	<u>8,572,624</u>
Operating expenses:			
Program services	7,561,870	-	7,561,870
Supporting services	1,526,116	-	1,526,116
Total operating expenses	<u>9,087,986</u>	<u>-</u>	<u>9,087,986</u>
Change in net assets from operations	(507,298)	(8,064)	(515,362)
Other changes:			
Capital grants	270,875	-	270,875
Investment return	-	66,819	66,819
Endowment return utilized in operations	-	(430,000)	(430,000)
Change in value of split-interest agreements	-	53,056	53,056
Gain on sale of equipment	5,590	-	5,590
Total other changes	<u>276,465</u>	<u>(310,125)</u>	<u>(33,660)</u>
Change in net assets	(230,833)	(318,189)	(549,022)
Net assets, beginning of year	<u>3,441,381</u>	<u>1,559,983</u>	<u>5,001,364</u>
Net assets, end of year	\$ <u><u>3,210,548</u></u>	<u><u>1,241,794</u></u>	<u><u>4,452,342</u></u>

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

NEIGHBORLY CARE NETWORK, INC.

Statement of Functional Expenses

**Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	Program Services						Supporting Services			Total Expenses	
	Adult Day Care	Transportation	Nutrition	Other Programs	Program Maintenance	Total	General and Administrative	Fundraising	Total	2022	2021
Salaries and wages	\$ 678,633	801,153	1,179,733	-	45,444	2,704,963	630,708	111,773	742,481	3,447,444	3,249,779
Payroll taxes	54,038	63,426	92,604	-	3,591	213,659	50,964	9,067	60,031	273,690	257,549
Employee benefits	119,798	132,414	219,698	-	12,262	484,172	177,683	29,913	207,596	691,768	640,724
Total personnel related expenses	852,469	996,993	1,492,035	-	61,297	3,402,794	859,355	150,753	1,010,108	4,412,902	4,148,052
Contract and professional fees	10,807	81,387	3,960	-	-	96,154	116,680	89,447	206,127	302,281	144,836
Communications and utilities	28,962	6,867	77,241	-	5,969	119,039	4,074	431	4,505	123,544	120,109
Occupancy allocation	-	23,258	48,427	-	(315,633)	(243,948)	233,476	10,472	243,948	-	-
Repairs and maintenance	40,025	249,522	79,886	-	5,042	374,475	34,645	10,806	45,451	419,926	357,088
Insurance	28,353	153,637	76,794	-	61,239	320,023	2,776	694	3,470	323,493	299,158
Postage, printing and supplies	18,426	9,170	28,176	-	3,170	58,942	4,524	20,490	25,014	83,956	114,587
Food costs	29,602	-	2,817,633	-	-	2,847,235	-	-	-	2,847,235	2,782,640
Equipment	1,922	970	206	-	3,179	6,277	11,684	2,439	14,123	20,400	37,148
Vehicle expenses	-	198,932	41,428	-	2,012	242,372	-	-	-	242,372	163,218
Travel	2,491	33	19,431	-	-	21,955	634	1,968	2,602	24,557	23,577
Operating expenses	30,389	4,365	20,278	-	162,577	217,609	30,520	3,923	34,443	252,052	217,840
Financing charges and bank fees	-	-	7	-	3,768	3,775	250	1,252	1,502	5,277	9,156
Interest	-	-	-	-	-	-	28,023	-	28,023	28,023	8,284
In-kind	16,789	50,015	234,462	-	-	301,266	35,868	32,525	68,393	369,659	362,568
Other	1,665	892	963	-	15	3,535	3,781	265	4,046	7,581	8,067
Total expenses before depreciation and amortization	1,061,900	1,776,041	4,940,927	-	(7,365)	7,771,503	1,366,290	325,465	1,691,755	9,463,258	8,796,328
Depreciation and amortization	49,409	197,915	44,507	-	8,775	300,606	41,038	-	41,038	341,644	291,658
Total expenses - 2022	\$ 1,111,309	1,973,956	4,985,434	-	1,410	8,072,109	1,407,328	325,465	1,732,793	9,804,902	
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

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

NEIGHBORLY CARE NETWORK, INC.

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 989,892	(549,022)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	341,644	291,658
Noncash lease expense	179,921	-
Net realized and unrealized losses (gains) on investments	75,866	(57,977)
Change in value of split-interest agreements	105,978	(53,056)
Gain on sale of equipment	(12,220)	(5,590)
Government grants to acquire and improve capital assets	(20,000)	(270,875)
Noncash interest expense	-	3,788
Changes in assets and liabilities:		
Receivables	(1,288,234)	490,062
Prepaid expenses and other assets	46,362	(3,509)
Accounts payable	(83,700)	14,176
Accrued expenses	15,565	19,464
Refundable advance	(27,568)	(14,937)
Operating lease liabilities	(179,921)	-
Net cash provided by (used in) operating activities	143,585	(135,818)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	553,170	1,019,543
Purchases of investments	(559,544)	(598,385)
Principal payments received under note receivable	13,473	12,944
Proceeds from sale of equipment	12,220	5,590
Purchases of property and equipment	(88,698)	(462,089)
Net cash used in investing activities	(69,379)	(22,397)
Cash flows from financing activities:		
Government grants to acquire and improve capital assets	20,000	270,875
Net borrowings under line of credit	183,494	274,632
Principal paid on finance lease liabilities	(29,536)	-
Principal paid on long-term debt	(3,327)	(1,629)
Net cash provided by financing activities	170,631	543,878
Net increase in cash	244,837	385,663
Cash at beginning of year	518,402	132,739
Cash at end of year	\$ 763,239	518,402
Supplemental cash flow information:		
Cash paid for interest	\$ 28,023	4,496
Addition to operating and finance ROU assets and lease liabilities from:		
Adoption of ASC 842	\$ 400,733	-
New lease agreements and modifications	\$ 437,081	-

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements

December 31, 2022 and 2021

(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, 2022 and 2021, the Organization had \$515,903 and \$310,753, 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, 2022 and 2021, 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 2021 financial statements have been reclassified to conform to the 2022 presentation.

(p) Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$20,400 and \$15,401, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(q) Leases

The Organization leases certain office space and equipment under operating lease agreements. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, net and current and non-current operating lease liabilities on the accompanying statements of financial position. Finance leases are included in property and equipment and finance lease liabilities on the accompanying statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating ROU assets and operating lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As an accounting policy election, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments if the rate implicit in a lease is not-readily determinable. The Organization does not assume renewals in its determination of the lease term unless it is reasonably certain that it will exercise that option.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has lease agreements comprised of lease and non-lease components. The non-lease components are primarily comprised of equipment maintenance and real estate taxes that are passed on from the lessor. The Organization made an accounting policy election by class of underlying asset not to separate lease and nonlease components in a contract. The Organization’s lease agreements may also include rental payments based on equipment usage and other variable factors. Lease liabilities are not remeasured as a result of changes in equipment usage. These variable payments are recognized in the period in which the related obligation is incurred and are excluded from the measurement of the ROU asset and lease liability. Additionally, the Organization has elected not to recognize a lease liability or ROU asset for short-term leases (leases with a term of twelve months or less).

(r) Comparative Financial Information

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2021, from which the summarized information was derived.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(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 adopted Topic 842 effective January 1, 2022 and applied it to all existing, long-term leases using the modified retrospective method.

The new standard provides a number of optional practical expedients in transition. The Organization elected the “package of practical expedients” which permitted the Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. The new standard also provided practical expedients for ongoing accounting. The Organization also elected the short-term lease recognition exemption for all leases that qualified. For those leases that qualified, existing short-term leases at the transition date and those entered into subsequent to the transition date, the Organization did not recognize ROU assets or lease liabilities. As a result of the adoption of this standard, the Organization recognized operating lease ROU assets of \$400,733 and corresponding operating lease liabilities of \$400,733 as of January 1, 2022, which was based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases. See Note 8 for further information on the Organization’s leases.

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 adoption of this standard had no impact on the Organization’s financial statements.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(2) Investments

At December 31, 2022 and 2021, the cost and market values of investments are as follows:

	2022		2021	
	Cost	Market	Cost	Market
Investments:				
Money market funds	\$ 5,777	5,777	33,550	33,550
Fixed income securities	90	87	693	685
Common stock	68,885	82,926	92,158	125,691
Equity mutual funds	309,209	299,381	185,621	188,628
Exchange traded funds	140,670	144,539	200,821	253,648
	\$ 524,631	532,710	512,843	602,202

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.

The following schedule summarizes investment return for the years ended December 31, 2022 and 2021:

	2022	2021
Dividend and interest income	\$ 120,406	16,532
Realized and unrealized gains (losses)	(75,866)	57,977
Investment management fees	(5,523)	(7,690)
	\$ 39,017	66,819

(3) Receivable under Charitable Remainder Trust

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 trust 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, 2022 and 2021 was \$548,641 and \$562,114, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(5) Property and Equipment

Property and equipment consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 686,553	686,553
Building and improvements	1,253,133	1,251,691
Computer hardware and software	1,874,489	1,726,022
Furniture and transportation equipment	<u>3,217,115</u>	<u>3,274,983</u>
	7,031,290	6,939,249
Less accumulated depreciation	<u>(5,070,750)</u>	<u>(4,874,230)</u>
	<u>\$ 1,960,540</u>	<u>2,065,019</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$311,447 and \$291,658, respectively.

(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 (8% at December 31, 2022). The line of credit agreement includes certain affirmative and negative covenants. At December 31, 2022, the Organization was in compliance with these covenants. The balance of the line of credit as of December 31, 2022 was \$458,126.

(7) Long-Term Debt

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.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(7) Long-Term Debt – Continued

The aggregate maturities of long-term debt, including initial accrued interest, for each of the five years subsequent to December 31, 2022 and thereafter are as follows:

Year Ending December 31,		
2023	\$	3,425
2024		3,526
2025		3,629
2026		3,736
2027		3,846
Thereafter		130,670
Total maturities		148,832
Less current installments of long-term debt		3,425
Long-term debt, less current installments	\$	145,407

(8) Leases

The Organization has operating and finance leases of office space and certain equipment. The leases have remaining lease terms ranging from one to five years. Leases with initial terms of 12 months or less are not recorded on the statement of financial position. Expense under these short-term leases is recognized on a straight-line basis over the lease term. The following summarizes the line items in the accompany combined balance sheet as of December 31, 2022 and 2021:

	2022	2021
Operating leases:		
Operating lease right-of-use assets	\$ <u>509,426</u>	n/a
Current portion of operating lease liabilities	\$ 171,681	n/a
Operating lease liabilities, excluding current portion	337,745	n/a
	\$ 509,426	n/a
Finance leases:		
Property and equipment	\$ 148,467	n/a
Accumulated amortization	(30,197)	n/a
Property and equipment, net	\$ 118,270	n/a
Current portion of financing lease liabilities	\$ 29,766	n/a
Financing lease liabilities, excluding current portion	89,165	n/a
	\$ 118,931	n/a

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(8) Leases - Continued

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term	
Operating leases	4.22 years
Finance leases	3.92 years
Weighted Average Discount Rate	
Operating leases	3.17%
Finance leases	1.37%

The components of lease expense for the year ended December 31, 2022 consisted of the following:

Operating lease expense	\$ 183,496
Short-term leases	10,900
Variable lease costs	<u>712</u>
 Total lease costs	 \$ <u><u>195,108</u></u>
Finance lease costs:	
Amortization of lease assets included in depreciation and amortization expense	\$ 30,197
Interest on lease liabilities included in interest expense	<u>1,664</u>
	 \$ <u><u>31,861</u></u>

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 183,496
Operating cash flows from finance leases	1,664
Financing cash flows from finance leases	29,536
Lease assets obtained in exchange for lease obligations:	
Operating leases	689,347
Finance leases	148,467

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(8) Leases - Continued

The maturities of lease liabilities as of December 31, 2022 were as follows:

Year Ending December 31,	Operating	Financing
2023	\$ 183,497	31,200
2024	183,496	31,200
2025	33,132	31,200
2026	33,132	28,600
2027	30,996	-
Thereafter	69,741	-
Total payments	533,994	122,200
Less interest	(24,568)	(3,269)
Present value of lease liabilities	\$ 509,426	118,931

Rent expense under operating leases in 2021 was approximately \$183,000. Future minimum lease payments under noncancellable operating leases as of December 31, 2021 (as classified under prior authoritative lease accounting guidance) is as follows:

Year Ending December 31,	
2022	\$ 181,361
2023	43,526
2024	30,996
2025	30,996
2026	30,996
Thereafter	100,737
	\$ 418,612

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, 2022 and 2021 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

	<u>2022</u>	<u>2021</u>
Subject to use restrictions:		
Receivable under charitable remainder trust	\$ 525,510	639,592
Endowments restricted in perpetuity:		
Meals on Wheels endowment	529,281	598,325
Lealman Adult Day Care Center endowment	1,143	1,293
General endowment	<u>2,286</u>	<u>2,584</u>
	<u>532,710</u>	<u>602,202</u>
Total net assets with donor restrictions	<u>\$ 1,058,220</u>	<u>1,241,794</u>

(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, 2022, the Organization's endowment funds with deficiencies were reported in net assets with donor restrictions as follows:

Fair value of endowments	\$	532,710
Original endowment gifts		<u>1,563,548</u>
Deficiencies of underwater endowment funds	\$	<u><u>(1,030,838)</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, 2022 and 2021 is as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
2022:			
Donor-restricted endowment funds	\$ <u>-</u>	<u>532,710</u>	<u>532,710</u>
	\$ <u><u>-</u></u>	<u><u>532,710</u></u>	<u><u>532,710</u></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>

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, 2022 and 2021 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
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
Investment return	-	(69,492)	(69,492)
Appropriation of endowment assets pursuant to spending policy	-	-	-
Endowment net assets at December 31, 2022	\$ -	532,710	532,710

(11) Contributions of Nonfinancial Assets

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 contributed nonfinancial assets or gifts-in-kind contributions. Gifts-in-kind contributions consist of donated 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 \$1,235,109 and \$1,267,872 for the years ended December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, gifts-in-kind contributions consisted of the following:

	2022	2021
Group dining and day care facilities	\$ 223,050	239,900
Supplies	146,609	122,668
	\$ 369,659	362,568

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(11) Contributions of Nonfinancial Assets - Continued

The Organization recognizes donated group dining and day care facilities based on comparable lease rates for commercial real estate in nearby locations. The Organization estimates the fair value of donated supplies based on wholesale values that would be received for selling similar items in the United States. Donated group dining and day care facilities are used in the Organization's adult day care and nutrition programs while donated supplies are used in the Organization's adult day care, transportation, nutrition programs and its fundraising events.

(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, 2022 and 2021, the Organization's financial assets available to meet cash needs for general expenditures within one year are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 763,239	518,402
Accounts receivable	2,531,706	1,235,368
Note receivable	548,641	562,114
Investments	532,710	602,202
Receivables under charitable remainder trusts	<u>525,510</u>	<u>639,592</u>
Total financial assets	4,901,806	3,557,678
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor restrictions:		
Donor imposed restrictions	(525,510)	(639,592)
Endowments	(532,710)	(602,202)
Noncurrent portion of note receivable	<u>(534,616)</u>	<u>(548,640)</u>
	<u>\$ 3,308,970</u>	<u>1,767,244</u>

(13) Concentration of Revenue and Other Support

One funding source provided approximately 57% and 62% of the Organization's operating revenue and support (excluding endowment distributions) in 2022 and 2021, respectively.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(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, 2022 and 2021 were \$122,000 and \$136,200, respectively, representing 5% of eligible compensation in 2022 and 2021, 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, 2022 and 2021 are as follows:

	Fair Value at December 31, 2022	Level 1	Level 2	Level 3
Assets:				
Investments:				
Money market funds	\$ 5,777	5,777	-	-
Equity securities:				
Common stock	82,926	82,926	-	-
Mutual funds	299,381	299,381	-	-
Exchange traded funds	144,539	144,539	-	-
Fixed income mutual funds	87	87	-	-
	<u>532,710</u>	<u>532,710</u>	<u>-</u>	<u>-</u>
Receivable under charitable remainder trust	<u>525,510</u>	<u>-</u>	<u>-</u>	<u>525,510</u>
	<u>\$ 1,058,220</u>	<u>532,710</u>	<u>-</u>	<u>525,510</u>
	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>

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, 2022 and 2021:

	<u>Receivable Under Charitable Remainder Trust</u>
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	<u>(5,329)</u>
Balances at December 31, 2021	639,592
Total losses included in changes in net assets	(105,978)
Purchases, issues, sales and settlements:	
Purchases	-
Issues	-
Sales	-
Settlements	<u>(8,104)</u>
Balances at December 31, 2022	\$ <u><u>525,510</u></u>

(17) Employee Retention Credit

The CARES Act provides an employee retention credit (“ERC”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit was equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter and available to entities who received Paycheck Protection Program loans. Based on the 2021 relief provisions, the Organization qualified and applied for the tax credit in 2022 retrospectively for calendar year 2020 and the first two calendar quarters through June 30, 2021.

NEIGHBORLY CARE NETWORK, INC.

Notes to the Financial Statements - Continued

(17) Employee Retention Credit - Continued

The Organization has elected to apply the provisions of *ASU 2018-08, Clarifying Guidance for Contributions Received and Contributions Made* (Topic 958-605) as the relevant guidance for a not-for-profit entity for this type of conditional federal award. During the year ended December 31, 2022, the Organization accrued approximately \$1.24 million in ERC which is included with grants and contract revenue in the accompanying statement of activities. The Organization collected approximately \$1.24 million of the ERC in 2023.

(18) Subsequent Events

Management has evaluated subsequent events through July 27, 2023, 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, 2022

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	EA022-NCN	\$ 671,081	-
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Adult Day Care)	93.044	EA022-NCN	533,617	-
Special Programs for the Aging, Title III, Part B American Rescue Plan (Transportation Services)	93.044	ERP21-NCN	156,896	-
Special Programs for the Aging, Title III, Part B American Rescue Plan (Adult Day Care)	93.044	ERP21-NCN	94,648	-
COVID-19 Special Programs for the Aging, Title III, Part B Coronavirus Consolidated Appropriations Act (Adult Day Care)	93.044	ECA20-NCN	55,092	-
			<u>1,511,334</u>	-
Special Programs for the Aging, Title III, Part C, Nutrition Services (Congregate Meals)	93.045	EA022-NCN	415,434	-
Special Programs for the Aging, Title III, Part C, Nutrition Services (Home Delivered Meals)	93.045	EA022-NCN	1,992,772	-
Special Programs for the Aging, Title III, Part C1, Nutrition Services (Congregate Meals) American Rescue Plan	93.045	ERP21-NCN	100,170	-
Special Programs for the Aging, Title III, Part C2, Nutrition Services (Home Delivered Meals) American Rescue Plan	93.045	ERP21-NCN	829,707	-
COVID-19 Special Programs for the Aging, Title III, Part C2 Nutrition Services (Home Delivered Meals)	93.045	ECA20-NCN	71,418	-
			<u>3,409,501</u>	-
Nutrition Services Incentive Program	93.053	EA022-NCN	246,488	-
Total Aging Cluster			<u>5,167,323</u>	-
Total U.S. Department of Health and Human Services			<u>5,167,323</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	G2515	295,500	-
Total U.S. Department of Transportation			<u>295,500</u>	-
<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 21/22	13,237	-
Child and Adult Care Food Program	10.558	Y6069 22/23	6,779	-
Total U.S. Department of Agriculture			<u>20,016</u>	-

(Continued)

NEIGHBORLY CARE NETWORK, INC.

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

Year Ended December 31, 2022

Federal/State Agency Pass-through Entity/ Federal Program/State Project	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>5,632,839</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	EL021-NCN	\$ 301,818	-
Local Services Programs - Transportation	65.009	EL021-NCN	168,105	-
Local Services Programs - Adult Day Care	65.009	EL021-NCN	54,561	-
Local Services Programs - Adult Day Care Expanded	65.009	EL021-NCN	72,135	-
Local Services Programs - Adult Day Care Expanded	65.009	EL022-NCN	<u>72,135</u>	<u>-</u>
Total State of Florida Department of Elder Affairs			<u>668,754</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>321,227</u>	<u>-</u>
Total State of Florida Department of Transportation			<u>321,227</u>	<u>-</u>
Total Expenditures of State Financial Assistance			\$ <u>989,981</u>	<u>-</u>

NEIGHBORLY CARE NETWORK, INC.

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

Year Ended December 31, 2022

(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, 2022. 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, 2022 was \$148,832.

(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, 2022

	Program Services						Supporting Services			Total Expenses		
	Adult Day Care	Transportation	Nutrition - Meals	Nutrition - Outreach	Nutrition - Education	Nutrition - Counseling	Non-DOEA Program Services	Total	General and Administrative		Fundraising	Total
Salaries and wages	\$ 678,633	801,153	1,112,257	12,090	6,734	25,789	68,307	2,704,963	630,708	111,773	742,481	3,447,444
Payroll taxes	54,038	63,426	87,258	971	531	2,043	5,392	213,659	50,964	9,067	60,031	273,690
Employee benefits	119,798	132,414	205,362	1,453	1,406	5,212	18,527	484,172	177,683	29,913	207,596	691,768
Total personnel related expenses	852,469	996,993	1,404,877	14,514	8,671	33,044	92,226	3,402,794	859,355	150,753	1,010,108	4,412,902
Contract and professional fees	10,807	81,387	3,960	-	-	-	-	96,154	116,680	89,447	206,127	302,281
Communications and utilities	28,962	6,867	77,241	-	-	-	5,969	119,039	4,074	431	4,505	123,544
Occupancy allocation	-	23,258	48,427	-	-	-	(315,633)	(243,948)	233,476	10,472	243,948	-
Repairs and maintenance	40,025	249,522	79,886	-	-	-	5,042	374,475	34,645	10,806	45,451	419,926
Insurance	28,353	153,637	76,794	-	-	-	61,239	320,023	2,776	694	3,470	323,493
Postage, printing and supplies	18,426	9,170	26,928	82	971	195	3,170	58,942	4,524	20,490	25,014	83,956
Food costs	29,602	-	2,591,047	-	-	-	226,586	2,847,235	-	-	-	2,847,235
Equipment	1,922	970	206	-	-	-	3,179	6,277	11,684	2,439	14,123	20,400
Vehicle expenses	-	198,932	41,428	-	-	-	2,012	242,372	-	-	-	242,372
Travel	2,491	33	17,041	1,197	-	1,193	-	21,955	634	1,968	2,602	24,557
Operating expenses	30,389	4,365	20,258	10	-	10	162,577	217,609	30,520	3,923	34,443	252,052
Financing charges and bank fees	-	-	-	-	-	7	3,768	3,775	250	1,252	1,502	5,277
Interest	-	-	-	-	-	-	-	-	28,023	-	28,023	28,023
In-kind	16,789	50,015	230,462	-	-	-	4,000	301,266	35,868	32,525	68,393	369,659
Other	1,665	892	963	-	-	-	15	3,535	3,781	265	4,046	7,581
Depreciation and amortization	49,409	197,915	44,507	-	-	-	8,775	300,606	41,038	-	41,038	341,644
	1,111,309	1,973,956	4,664,025	15,803	9,642	34,449	262,925	8,072,109	1,407,328	325,465	1,732,793	9,804,902
Allocation of:												
Interagency expenses	365,317	(341,770)	(23,547)	-	-	-	-	-	-	-	-	-
General and administrative expenses	257,665	339,578	349,830	2,774	1,692	6,043	5,439	963,021	(1,014,488)	51,467	(963,021)	-
	\$ 1,734,291	1,971,764	4,990,308	18,577	11,334	40,492	268,364	9,035,130	392,840	376,932	769,772	9,804,902
Total units	6,611	76,559	578,503	780	1,763	230						
Total reimbursed units	6,611	76,559	578,503	780	1,763	230						
Cost per unit	\$262.33	\$25.75	\$8.63	\$23.82	\$6.43	\$176.05						
Cost per reimbursed unit	\$262.33	\$25.75	\$8.63	\$23.82	\$6.43	\$176.05						

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, 2022, 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 27, 2023.

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 27, 2023
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, 2022. 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 27, 2023
St. Petersburg, Florida

NEIGHBORLY CARE NETWORK, INC.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

(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, 2022 and 2021 and have issued our report thereon dated July 27, 2023.

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 27, 2023, 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 27, 2023
St. Petersburg, Florida