



CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

**SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
DBA SYCAMORE SERVICES, INC.**

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Sycamore Rehabilitation Services / Hendricks County ARC, Inc.
dba Sycamore Services, Inc.
Danville, Indiana

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sycamore Rehabilitation Services / Hendricks County ARC, Inc. dba Sycamore Services, Inc. (Sycamore Services), a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sycamore Services as of June 30, 2022 and 2021, and the changes in its net assets, and its cash flows for the years then ended 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Sycamore Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

Board of Directors
Sycamore Rehabilitation Services / Hendricks County ARC, Inc.
dba Sycamore Services, Inc.
Danville, Indiana

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sycamore Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sycamore Services' 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.

Board of Directors
Sycamore Rehabilitation Services / Hendricks County ARC, Inc.
dba Sycamore Services, Inc.
Danville, Indiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023 on our consideration of Sycamore Services' 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 Sycamore Services' 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 Sycamore Services' internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
March 17, 2023

**SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
DBA SYCAMORE SERVICES, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS		
	2022	2021
Current assets		
Cash	\$ 3,749,967	\$ 4,275,051
Contract receivables, net	1,647,421	1,484,774
Other receivables	570,158	278,600
Prepaid expenses	99,521	76,444
Total current assets	6,067,067	6,114,869
Investments		
Undesignated	4,363,738	4,237,235
Designated for capital improvements	1,200,000	1,200,000
Donor restricted	8,093,484	10,000,122
Total investments	13,657,222	15,437,357
Property and equipment, net	4,036,747	2,958,485
Funds held by Community Foundation	68,750	85,872
Total assets	<u>\$ 23,829,786</u>	<u>\$ 24,596,583</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	\$ 19,997	\$ 24,013
Line of credit	920,000	-0-
Accounts payable and accrued expenses	515,493	389,000
Accrued salaries and related liabilities	1,417,188	1,169,453
Paycheck Protection Program (PPP) note	-0-	2,352,500
Refundable advances	681,906	25,395
Total current liabilities	3,554,584	3,960,361
Long-term debt less current portion	657,208	677,533
Refundable advances	178,098	219,839
Total liabilities	4,389,890	4,857,733
Net assets		
Without donor restrictions		
Undesignated	10,106,412	8,498,728
Designated for capital improvements	1,200,000	1,200,000
Total without donor restrictions	11,306,412	9,698,728
With donor restrictions	8,133,484	10,040,122
Total net assets	19,439,896	19,738,850
Total liabilities and net assets	<u>\$ 23,829,786</u>	<u>\$ 24,596,583</u>

See accompanying notes to consolidated financial statements.

SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
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CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Revenue		
Public support		
Federal and state transportation grants	\$ 1,367,526	\$ 805,900
COVID-19 grants	225,829	814,436
Other grants	521,915	762,389
County funds and other contributions	157,882	239,785
United Way funds	68,510	120,458
Net assets released from restriction	57,339	25,814
Total public support	2,399,001	2,768,782
Service revenue		
Adult services	10,680,638	8,428,304
Children services	1,840,003	1,838,359
Contract services	28,317	25,457
Print shop	87,690	84,178
Total service revenue	12,636,648	10,376,298
Other revenue		
Investment return, net	102,255	715,562
Rental	115,658	117,670
PPP note forgiveness	2,085,017	-0-
Other	289,163	409,635
Total other revenue	2,592,093	1,242,867
Total revenue	17,627,742	14,387,947
Expenses		
Salaries and wages	10,483,706	8,577,144
Employee benefits	2,474,409	2,034,404
Depreciation	319,997	335,817
Interest	47,212	46,508
Utilities, rent, and maintenance	454,979	380,262
Purchased services	492,150	580,754
Travel and mileage	269,244	180,261
Other	1,478,361	1,109,329
Total expenses	16,020,058	13,244,479
Change in net assets without donor restrictions	1,607,684	1,143,468
Net assets with donor restrictions		
Investment return (loss), net	(1,849,299)	2,386,477
Net assets released from restriction	(57,339)	(25,814)
Change in net assets with donor restrictions	(1,906,638)	2,360,663
Change in net assets	(298,954)	3,504,131
Net assets		
Beginning of year	19,738,850	16,234,719
End of year	<u>\$ 19,439,896</u>	<u>\$ 19,738,850</u>

See accompanying notes to consolidated financial statements.

SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating activities		
Change in net assets	\$ (298,954)	\$ 3,504,131
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	319,997	335,817
Realized and unrealized (gain) loss on investments	1,882,962	(2,986,401)
PPP note forgiveness	(2,085,017)	-0-
Change in value of funds held by Community Foundation	11,863	(20,179)
Changes in operating assets and liabilities		
Contract receivables, net	(162,647)	(452,691)
Other receivables	(291,558)	(67,515)
Prepaid expenses	(23,077)	22,150
Accounts payable and accrued expenses	126,493	88,606
Accrued salaries and related liabilities	247,735	142,464
Refundable advances	614,770	(66,732)
Net cash flows from operating activities	342,567	499,650
Investing activities		
Capital expenditures	(1,398,259)	(179,044)
Proceeds from the sale of investments	1,313,511	10,652,278
Purchase of investments	(1,416,338)	(10,747,793)
Proceeds from funds held by Community Foundation	5,259	8,004
Net cash flows from investing activities	(1,495,827)	(266,555)
Financing activities		
Payments on PPP note	(267,483)	-0-
Borrowings on line of credit	920,000	-0-
Payments on long-term debt	(19,321)	(17,173)
Payments on capital leases	(5,020)	(10,147)
Net cash flows from financing activities	628,176	(27,320)
Net change in cash	(525,084)	205,775
Cash		
Beginning of year	4,275,051	4,069,276
End of year	\$ 3,749,967	\$ 4,275,051
Supplemental cash flows information		
Cash paid for interest	\$ 47,212	\$ 46,508
Noncash financing - forgiveness of PPP note	\$ 2,085,017	\$ -0-

See accompanying notes to consolidated financial statements.

**SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Sycamore Rehabilitation Services / Hendricks County ARC, Inc. (Sycamore Services) is incorporated as a not-for-profit organization under the laws of the State of Indiana. The primary purpose of Sycamore Services is to provide a full range of services to the mentally and physically disabled. Sycamore Services' programs include vocational training, adult day services, and early intervention services. Sycamore Services serves clients in central Indiana.

Principles of Consolidation

Sycamore Services' consolidated financial statements includes its wholly owned affiliates, Cornerstone Pediatric Rehabilitation Services, Inc. (Cornerstone) and Commons at Wynne Farms, Inc. (the Commons). Cornerstone provides services to children and other individuals with therapeutic needs. The Commons is the general partner in Commons at Wynne Farms, L.P. (the L.P.), which provides low-income housing in Brownsburg, Indiana. The Commons' interest in the L.P. is .005%. The activities and balances of the Commons, while insignificant to the consolidated financial statements as a whole, are consolidated herein. The limited partners, with 99.995% ownership in the L.P., maintain substantive participation rights in the L.P. Therefore, the activities of the L.P. are not consolidated with the Commons and ultimately not consolidated with Sycamore Services.

All material intercompany accounts and transactions are eliminated in consolidation.

Basis of Accounting

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations. Accordingly, accounts are stated on the accrual basis of accounting, whereby revenues are recognized as performance obligations are satisfied and expenses are recorded as incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Sycamore Services maintains deposits with banks, which, at times, may exceed federally insured limits. Sycamore Services has not experienced any losses in these accounts, and Sycamore Services believes it is not exposed to any significant credit risk on cash.

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Contract Receivables

Contract receivables are recorded at net realizable amounts based on established charges when the service is rendered. Sycamore Services has agreements with third-party payers that provide for payments to Sycamore Services at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges and per diem payments.

The allowances offset against contract receivables represents management's estimate of the expected losses to be realized, and is based on historical experience, current economic conditions, and other relevant factors. All contract receivables are expected to be collected within one year. As of June 30, 2022 and 2021, allowances against contract receivables amounted to approximately \$224,000 and \$312,000, respectively. As of July 1, 2020, contract receivables and associated allowances were \$1,199,000 and \$167,000, respectively.

Other Receivables

Other receivables relate to services rendered mainly to government entities for which payment was not received by year end. The balance consists primarily of amounts due from the Indiana Department of Transportation for providing transportation services to the mentally and physically disabled. The other receivables are classified as current as they are expected to be collected during the next fiscal year.

Prepaid Expenses

Prepaid expenses are included in current assets as they are expected to be utilized during the next fiscal year.

Investments

Investments may consist of money market deposit accounts, certificates of deposit, mutual funds, common stocks, and corporate and government bonds which are reported at fair value except for certificates of deposit which are reported at contract value. Unrealized and realized gains and losses, interest, dividends, and investment fees from all investments are reported in investment return (loss), net on the consolidated statements of activities and changes in net assets.

Investments include undesignated funds, internally designed funds as restricted for the purpose of purchasing property and equipment, and donor restricted funds.

Property, Equipment and Depreciation

Property and equipment are stated at cost or, if donated, at fair market value on the date of acquisition. Additions and improvements are capitalized based on certain dollar thresholds; expenditures for routine maintenance are charged to operations.

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Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method, which range over the useful lives as follows:

Building and improvements	5-30 years
Equipment	3-10 years
Vehicles	4-5 years
Print shop equipment	5-7 years

Gifts of long-lived assets such as land, buildings and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the assets are to be used. The gift of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. There were no gifts of long-lived assets for 2022 and 2021. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated acquired long-lived assets are placed in service.

Funds Held by Community Foundation

Funds Held by Community Foundation relate to a principal donation and investment earnings made by Sycamore Services to the Hendricks County Community Foundation (Community Foundation). The original donated amount of \$40,000 is held in a fund designated for Sycamore Services, but Sycamore Services does not have access to the original amount. Any income generated from the donation is without donor restrictions. The original donation is with donor restrictions maintained in perpetuity.

Net Assets

The consolidated financial statements report the changes in, and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as without donor restrictions or with donor restrictions and are detailed as follows:

- Net assets without donor restrictions represent the part of the net assets of Sycamore Services that is neither with donor restrictions for specified purposes nor with donor restrictions maintained in perpetuity. This class of net assets includes undesignated net assets along with board designated net assets for capital improvements (\$1,200,000 as of June 30, 2022 and 2021).
- Net assets with donor restrictions represent the part of the net assets of Sycamore Services resulting from contributions and other inflows of assets whose use by Sycamore Services is limited by donor-imposed stipulations that either expire by the passage of time or by actions of Sycamore Services and the part of the net assets of Sycamore Services resulting from contributions and other inflows of assets whose use by Sycamore Services is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions for Sycamore Services. Sycamore Services has net assets with donor restrictions of approximately \$8,133,000 and \$10,040,000 as of June 30, 2022 and 2021, respectively. Net assets with donor restrictions relate primarily to an endowment that is made of net assets with donor restrictions required to be maintained in perpetuity and net assets with donor restrictions required to be expended for a specified purpose.

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Public Support

Federal and State Transportation Grants

Sycamore Services receives grant awards from various state and federal agencies for the purchase and maintenance of vehicles that are used to provide a wide variety of rehabilitation services to the developmentally disabled which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by Sycamore Services as prescribed by these programs and funds may be subject to repayment upon determination of noncompliance by a funding agency. Amounts received are recognized as revenue when Sycamore Services has completed certain performance requirements and/or incurred expenditures in compliance with specific contract or grant provisions. Sycamore Services recognized receivables from these programs of approximately \$570,000 and \$279,000 as of June 30, 2022 and 2021, respectively, which are included in other receivables on the consolidated statements of financial position. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position.

COVID-19 and Other Grants

Coronavirus (COVID-19) and other grants are derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses or lost revenues, as defined by the grantor agency. Receipt of these funds is subject to the fulfillment of certain obligations by Sycamore Services as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received prior to incurring qualified expenditures or lost revenues are reported as refundable advances in the consolidated statements of financial position.

County Funds

Sycamore Services receives funding from Hendricks and Monroe counties as stipulated by Indiana state law. Sycamore Services recognizes the county funding as income in the period the funds are due from the counties. Accordingly, amounts are recorded as other receivables or refundable advances based upon the timing of the actual receipts.

Other Contributions and United Way Funds.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Sycamore Services recognizes all contributions as income in the period received. All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and

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changes in net assets as net assets released from restrictions. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are included in changes in net assets without donor restrictions.

Sycamore Services also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions. Receipt of funds for conditional contributions are recorded as a refundable advance in the consolidated statements of financial position until conditions are satisfied. Once satisfied, the refundable advance is released into contribution revenue. Materials, property, equipment, and other assets received as donations are recorded and reflected in the accompanying consolidated financial statements at their estimated fair market values on the date received.

The value of donated volunteer services is not reflected in the accompanying consolidated financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to various fund-raising events and contacts with individuals receiving services at Sycamore Services.

Service Revenue

Adult and Children Services

Sycamore Services contracts with various State of Indiana (the State) agencies to provide a wide variety of services to persons with disabilities, residential and waiver services. Sycamore Services vouchers the State agencies monthly based on current activity and the original amount of the grant or contract. These services, rendered to primarily Medicaid waiver program beneficiaries, are paid utilizing a determined daily consumer rate. Sycamore Services recognizes the amount of revenue it expects to collect for the transfer of services to clients over time in a period in which its performance obligations are satisfied.

These revenues are recognized over time as promised services are delivered to clients, in an amount that reflects the consideration Sycamore Services expects to be entitled to in exchange for those services. Service revenue from contracts with various third-party payers is recognized in the amount to which Sycamore Services has a right to invoice, (generally determined and billed on a weekly to monthly basis), when services are rendered by Sycamore Services. Generally, the transaction price in contracts is known at inception and the performance obligation is measured from the commencement of the services to the point when Sycamore Services is no longer required to provide services. Sycamore Services submits annual cost reports to determine its Medicaid rates for group home services. These reports are subject to periodic audit by the State. Based upon reports previously submitted and unaudited periods, Sycamore Services determined that any liability related to unsettled Medicaid cost reports would be not be significant to the consolidated financial statements as a whole as of June 30, 2022 and 2021.

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Included in adult and children services is revenue Sycamore Services receives from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by Sycamore Services as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency.

Amounts received are recognized as revenue when Sycamore Services has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. Services did recognize receivables from these programs of approximately \$1,064,000 and \$838,000 as of June 30, 2022 and 2021, respectively, which are included in contract receivables on the consolidated statements of financial position.

Laws and regulations governing these programs are complex and subject to interpretation. Sycamore Services believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations and potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretations as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid programs.

Contract Services and Print Shop

Sycamore Services recognizes revenue from providing products and services to various local employers. Revenues are recognized over time as promised services are delivered to the employers, in an amount that reflects the consideration Sycamore Services expects to be entitled to in exchange for those services. Revenue is recognized in the amount to which Sycamore Services has a right to invoice, (generally determined and billed on a weekly to monthly basis), when services are rendered by Sycamore Services. Generally, the transaction price in contracts is known at inception and the performance obligation is measured from the commencement of the services to the point when Sycamore Services is no longer required to provide services.

Federal and State Income Taxes

Sycamore Services and Cornerstone are not-for-profit corporations under Section 501(c)(3) of the United States Internal Revenue Code. As such, Sycamore Services and Cornerstone are generally exempt from income taxes. However, Sycamore Services and Cornerstone are required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if these entities have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by these entities, and has concluded that as of June 30, 2022 and 2021, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. These

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entities are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Sycamore Services and Cornerstone have filed their federal and state income tax returns for the period through June 30, 2021 and are subject to routine audits by taxing jurisdictions. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

The Commons elected "C" corporation status with a year end of December 31. Income tax expense and liabilities are recorded at the amounts currently payable. The Commons generally use the same accounting methods for financial reporting and income tax purposes. The amount of income tax expense is not significant to the consolidated financial statements as a whole. The Commons has filed its federal and state income tax returns for years through December 31, 2021.

Going Concern Evaluation

Management evaluated whether there were conditions or events that raised substantial doubt about Sycamore Services' ability to continue as a going concern for a period of one year from the date the consolidated financial statements were available to be issued.

Subsequent Events

Sycamore Services evaluated events or transactions occurring subsequent to the consolidated financial position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued which was March 17, 2023.

Upcoming Accounting Standards Update

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Sycamore Services will be required to adopt this ASU in its year ending June 30, 2023. This ASU is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

Sycamore Services is presently evaluating the effects that this ASU will have on its future consolidated financial statements, including related disclosures.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. INVESTMENTS

Investments as of June 30, 2022 and 2021 consist of the following:

	2022	2021
Cash	\$ 1,767,637	\$ 1,848,121
Certificates of deposit	258,913	285,683
Mutual funds	10,065,827	11,427,672
Common stocks	580,565	806,654
Corporate and government bonds	984,280	1,069,227
	<u>\$ 13,657,222</u>	<u>\$ 15,437,357</u>

Investment return (loss), net of investment fees included in changes in net assets without donor restrictions and changes in net assets with donor restrictions for 2022 and 2021 consists of the following:

	2022	2021
Interest and dividends	\$ 135,918	\$ 115,638
Realized and unrealized gain (loss) on investments	(1,882,962)	2,986,401
	<u>\$ (1,747,044)</u>	<u>\$ 3,102,039</u>

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Sycamore Services has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during 2022 and 2021:

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by Sycamore Services are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by Sycamore Services are deemed to be actively traded.
- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate and government bonds*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 and 2021 are as follows:

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds				
Intermediate-term bond	\$ 455,690	\$ 455,690	\$ -0-	\$ -0-
Short-term bond	1,560,204	1,560,204	-0-	-0-
Large blend	4,647,191	4,647,191	-0-	-0-
Large growth	2,103,974	2,103,974	-0-	-0-
Large value	195,572	195,572	-0-	-0-
Mid blend	398,146	398,146	-0-	-0-
Small value and other	705,050	705,050	-0-	-0-
Total mutual funds	10,065,827	10,065,827	-0-	-0-
Common stocks				
Technology	206,690	206,690	-0-	-0-
Consumer	95,239	95,239	-0-	-0-
Finance	83,539	83,539	-0-	-0-
Other	195,097	195,097	-0-	-0-
Total common stocks	580,565	580,565	-0-	-0-
Corporate and government bonds	984,280	-0-	984,280	-0-
	11,630,672	\$ 10,065,827	\$ 984,280	\$ -0-
Certificates of deposit at contract value	258,913			
Cash	1,767,637			
Total investments	\$ 13,657,222			
Funds held by Community Foundation	\$ 68,750	\$ -0-	\$ -0-	\$ 68,750

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	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds				
Intermediate-term bond	\$ 502,276	\$ 502,276	\$ -0-	\$ -0-
Short-term bond	972,604	972,604	-0-	-0-
Large blend	5,404,164	5,404,164	-0-	-0-
Large growth	3,055,049	3,055,049	-0-	-0-
Large value	245,775	245,775	-0-	-0-
Mid blend	393,372	393,372	-0-	-0-
Small value and other	854,432	854,432	-0-	-0-
Total mutual funds	11,427,672	11,427,672	-0-	-0-
Common stocks				
Technology	283,917	283,917	-0-	-0-
Consumer	188,298	188,298	-0-	-0-
Finance	106,171	106,171	-0-	-0-
Other	228,268	228,268	-0-	-0-
Total common stocks	806,654	806,654	-0-	-0-
Corporate and government bonds	1,069,227	-0-	1,069,227	-0-
	13,303,553	\$ 12,234,326	\$ 1,069,227	\$ -0-
Certificates of deposit at contract value	285,683			
Cash	1,848,121			
Total investments	\$ 15,437,357			
Funds held by Community Foundation	\$ 85,872	\$ -0-	\$ -0-	\$ 85,872

Funds held by Community Foundation are classified as level 3 and are valued at the fair value as reported by the Community Foundation, which represents Sycamore's pro rata interest in the Community Foundation's pooled investment funds, substantially all of which are valued on a mark-to-market basis. There were no changes in the valuation methodologies used as of June 30, 2022 and 2021. The following is a progression of the level 3 assets for 2022 and 2021.

	2022	2021
Funds held by Community Foundation		
Beginning of year	\$ 85,872	\$ 73,697
Investment return (loss)	(11,863)	20,179
Distributions	(3,399)	(6,112)
Fees	(1,860)	(1,892)
End of year	\$ 68,750	\$ 85,872

Sycamore Services holds investments, which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

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4. ENDOWMENT

Sycamore Services' endowment is made of net assets with donor restrictions required to be maintained in perpetuity and net assets with donor restrictions required to be expended for a specified purpose. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net asset composition is as follows:

	2022	2021
Endowment funds with donor restrictions		
Original gift amount required to be maintained in perpetuity	\$ 7,002,600	\$ 7,002,600
Accumulated investment earnings subject to spending policy and appropriation	1,093,120	2,942,419
	<u>\$ 8,095,720</u>	<u>\$ 9,945,019</u>

Changes in endowment net assets were as follows:

	2022	2021
Endowment funds with donor restrictions		
Beginning balance	\$ 9,945,019	\$ 7,558,542
Net investment return	(1,849,299)	2,386,477
Ending balance	<u>\$ 8,095,720</u>	<u>\$ 9,945,019</u>

Interpretation of Relevant Law

Sycamore Services' Board of Directors has determined the requirements of Indiana's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to center around the preservation of the fair value of the original investment as of the date of the asset transfers. Investments resulting from donations directing that they be invested in perpetuity are classified as net assets with donor restrictions. The earnings generated by these investments are classified as net assets with donor restrictions and are reclassified as net assets without donor restrictions upon their appropriation for expenditure by Sycamore Services in a manner consistent with the standard of prudence prescribed by Indiana's version of the UPMIFA.

Sycamore Services has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Sycamore Services considers the following factors in making a determination to appropriate or accumulate its endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Sycamore Services and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments

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- (6) Other resources of Sycamore Services
- (7) The investment policies of Sycamore Services

Return Objectives and Risk Parameters

Sycamore Services has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Sycamore Services must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, all endowment assets are invested in readily marketable securities. The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to Sycamore Services to develop a source of revenue to support the endeavors of Sycamore Services and to support the activities of Sycamore Services' clients.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, Sycamore Services relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Sycamore Services targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate

Annually, a spending rate shall be determined by the Board of Directors after a recommendation from the finance committee. The allowable distribution from endowment funds, over and above fees and expenses allocable to the funds, shall be calculated annually based on Sycamore Services' fiscal year. The endowment contract stipulates that Sycamore Services may spend the greater of the difference between the market value of the endowment on June 30th and the historical dollar value of the original contribution of \$7,002,600, or 2% of the market value of the endowment on June 30th in the following year.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Sycamore Services to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are to be reported in net assets with donor restrictions. Sycamore Services has interpreted UPMIFA to permit spending for underwater funds in accordance with prudent measure required under the law. Sycamore Services had no such deficiencies as of June 30, 2022 and 2021.

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5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following on June 30:

	2022	2021
Land	\$ 907,525	\$ 694,525
Buildings	3,870,334	3,792,221
Equipment	1,077,675	1,023,832
Vehicles	1,625,563	1,509,256
Construction in progress	937,000	-0-
	8,418,097	7,019,834
Accumulated depreciation	(4,381,350)	(4,061,349)
Property and equipment, net	<u>\$ 4,036,747</u>	<u>\$ 2,958,485</u>

Outstanding commitments for property and equipment as of June 30, 2022 related to the construction of an Applied Behavioral Analysis Center for autistic youth were approximately \$2,800,000.

6. PAYCHECK PROTECTION PROGRAM

In April 2020, Sycamore Services received a low interest note in the amount of \$2,352,500 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP note was unsecured, bore interest at 1% and funds advanced were subject to forgiveness, if certain criteria were met, with the remaining balance repayable within two years of disbursement. The PPP note was forgivable to the extent that Sycamore Services incurred and spent the funds on qualified expenditures, which included payroll, employee health insurance, rent, utilities, and interest costs during the covered period as defined by the PPP guidance. In addition, Sycamore Services was required to maintain specific employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for forgiveness. Sycamore Services elected to account for the PPP note as debt and recognized forgiveness when legally forgiven by the SBA.

In October 2021, Sycamore Services received notice from the SBA that approximately \$2,085,000 of the \$2,352,500 of the PPP note was forgiven based on satisfaction of the stated criteria for the program. This amount was recognized as forgiveness in the consolidated statement of activities and changes in net assets for 2022. The remaining balance of the PPP note of \$267,000 was repaid to the SBA in October 2021.

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7. REFUNDABLE ADVANCES

The following tables reflect the progression of refundable advances for 2022 and 2021:

	June 30, 2022			
	Beginning of Year	Revenue Recognized	Advances Received	End of Year
Federal and state transportation	\$ 38,822	\$ (5,638)	\$ 56,582	\$ 89,766
COVID-19 and other grants	-0-	-0-	445,908	445,908
County funds	23,500	(23,500)	23,500	23,500
Adult and child services	-0-	-0-	61,004	61,004
Capital housing grant	182,011	(10,402)	-0-	171,609
Other	901	(901)	68,217	68,217
	<u>\$ 245,234</u>	<u>\$ (40,441)</u>	<u>\$ 655,211</u>	<u>\$ 860,004</u>

	June 30, 2021			
	Beginning of Year	Revenue Recognized	Advances Received	End of Year
Federal and state transportation	\$ 87,686	\$ (87,686)	\$ 38,822	\$ 38,822
County funds	30,700	(30,700)	23,500	23,500
Capital housing grant	192,413	(10,402)	-0-	182,011
Other	1,167	(266)	-0-	901
	<u>\$ 311,966</u>	<u>\$ (129,054)</u>	<u>\$ 62,322</u>	<u>\$ 245,234</u>

8. LONG-TERM DEBT

Long-term debt consists of the following on June 30:

	2022	2021
Note #136842	\$ 429,225	\$ 438,737
Note #142267	132,344	137,122
Note #91100058199	115,636	120,570
Other	-0-	5,117
	<u>677,205</u>	<u>701,546</u>
Current portion	<u>(19,997)</u>	<u>(24,013)</u>
	<u>\$ 657,208</u>	<u>\$ 677,533</u>

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Note #136842 was issued in May 2015 and matures in May 2045 requiring monthly principal and interest payments. Interest is at the prime rate plus 100 basis points reset every 60 months (4.50% as of June 30, 2022). The current rate was set in April 2022 and runs through April 2027. Note #142267 was issued in December 2018 and matures in December 2038 requiring monthly principal and interest payments. Interest is at the prime rate plus 100 basis points reset every 60 months (4.50% as of June 30, 2022). The current rate was set in April 2022 and runs through April 2027. These two notes are secured by property and equipment with net book values of approximately \$660,000 and \$693,000 as of June 30, 2022 and 2021, respectively.

Note #91100058199 was issued in August 2018 and matures in August 2038 requiring monthly principal and interest payments. Interest was set in August 2018 at 4.85% through August 2023. Beginning in September 2023, the interest rate will be adjusted to the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of five years plus 210 basis points. This rate will be effective through August 2038. This note is secured by property and equipment with net book values of approximately \$207,000 and \$214,000 as of June 30, 2022 and 2021, respectively.

Maturities of long-term debt are as follows for the years ending after June 30, 2022:

Year Ending June 30,	
2023	\$ 19,997
2024	20,976
2025	22,121
2026	23,310
2027	24,541
Thereafter	566,260
	<u>\$ 677,205</u>

9. LINES OF CREDIT

Sycamore Services has an approved line of credit of \$750,000, which expires in February 2024. The line of credit is secured by substantially all assets of Sycamore Services and is subject to a variable interest rate equal to the prime rate. There were no outstanding borrowings on this line of credit as of June 30, 2022 and 2021.

During 2022, Sycamore Services entered into a \$2,905,600 line of credit with a bank available for construction purposes with a maturity date of June 2023. Borrowings under this line of credit bear interest at a fixed rate of 3.95%. As of June 30, 2022, Sycamore Services had borrowings outstanding on the line of credit of approximately \$920,000. The line of credit is secured by a mortgage on the real property. At the maturity date of June 2023, Sycamore can opt to convert the line of credit to a long-term note payable or use existing cash and investments to retire the line of credit or some combination of new debt and existing cash and investments to retire the line of credit based on market conditions at that time of maturity.

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	2022	2021
Subject to expenditure for specified purpose		
Technology	\$ -0-	\$ 12,199
Public relations and fund development	-0-	18,404
Staff recruitment, retention, and training	-0-	26,736
Total subject to expenditure for specified purpose	-0-	57,339
Accumulated investment earnings subject to spending policy and appropriation	1,093,120	2,942,419
Amounts held in perpetuity		
Endowment held in perpetuity	7,002,600	7,002,600
Other	37,764	37,764
Total amounts held in perpetuity	7,040,364	7,040,364
	<u>\$ 8,133,484</u>	<u>\$ 10,040,122</u>

Net assets released in 2022 and 2021 are as follows:

	2022	2021
Technology	\$ 12,199	\$ 7,346
Public relations and fund development	18,404	17,199
Staff recruitment, retention, and training	26,736	1,269
	<u>\$ 57,339</u>	<u>\$ 25,814</u>

11. SELF-INSURED HEALTH PLAN

Sycamore Services maintains a self-insured health plan for which a third-party claims administrator has been retained to process all benefit claims. Claims are processed and presented for payment on a weekly basis. Under the plan, Sycamore Services is responsible for funding all claims up to \$50,000 per individual per policy year with an aggregate maximum stop-loss reimbursement of \$1,000,000 per policy year. As of June 30, 2022 and 2021, Sycamore Services estimates a liability of approximately \$70,000 and \$25,000, respectively, for incurred but unresolved health insurance claims, which is included in accrued salaries and related liabilities in the consolidated statements of financial position. Total expense under the health plan was \$1,078,000 and \$864,000 in 2022 and 2021, respectively.

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12. RETIREMENT PLAN

Sycamore Services maintains a 401(k) plan that covers substantially all employees. As part of the plan, Sycamore Services has the option to make a discretionary contribution into the plan for employees. For 2022 and 2021, total contributions made by Sycamore Services were approximately \$420,000, and \$384,000, respectively.

13. LEASE COMMITMENTS

Sycamore Services lease office and warehouse space under non-cancelable lease arrangements through 2024. Rent expense for 2022 and 2021 was approximately \$151,000 and \$157,000, respectively, and is included in utilities, rent, and maintenance on the consolidated statements of activities and changes in net assets. Future minimum lease payments under operating leases are as follows for the years ending after June 30, 2022:

Year Ending June 30,		
2023	\$	55,000
2024		42,000
	\$	<u>97,000</u>

14. RENTAL INCOME

Sycamore Services leases properties to individuals under annual lease arrangements. Total rental income for apartment operating leases was approximately \$116,000 and \$118,000 for 2022 and 2021, respectively. The properties are included in property and equipment with a cost of \$1,662,000 and accumulated depreciation of \$781,000 and \$719,000 as of June 30, 2022 and 2021, respectively. Sycamore Services expects to recognize \$116,000 annually in rental income for the next five years.

15. CONCENTRATIONS

Sycamore Services is located in Danville, Indiana, and provides services to individuals and companies, which are billed in arrears at least monthly. The majority of individual services are provided under service contracts or provider agreements with state agencies. Companies are provided credit in the normal course of business without collateral.

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Contract receivables and revenue by payor are as follows on June 30:

	Receivables		Revenue	
	2022	2021	2022	2021
Division of Aging and Rehabilitation Services	18%	26%	12%	13%
Medicaid	58%	51%	76%	72%
Other (none over 10%)	24%	23%	12%	15%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

16. FUNCTIONAL EXPENSES

The costs of providing a full range of services to individuals with disabilities (program services), general and administrative activities, and fundraising activities have been summarized on a natural basis in the consolidated statements of activities and changes in net assets and on functional basis in the tables below. Accordingly, certain costs have been allocated among program services, general and administrative, and fundraising functional categories based on actual direct expenditures incurred by departments, locations, and cost centers, and cost allocations based on time spent by Sycamore Services' personnel, which include salaries and wages, employee benefits, and travel and mileage. Other costs require allocations based on a reasonable basis that is consistently applied. The costs that are allocated include depreciation, interest, utilities, rent, and maintenance, purchased services, and other expenses, which are allocated based on the ratio of direct costs charged to the category to total direct costs. Although the methods used were appropriate, alternative methods may provide different results.

The following are schedules of functional expenses for 2022 and 2021:

	June 30, 2022			
	Program Services	General & Administrative	Fundraising	Total
Salaries and wages	\$ 10,206,788	\$ 188,168	\$ 88,750	\$ 10,483,706
Employee benefits	2,383,324	75,695	15,390	2,474,409
Depreciation	254,972	65,025	-0-	319,997
Interest	43,839	3,373	-0-	47,212
Utilities, rent, and maintenance	394,649	60,330	-0-	454,979
Purchased services	185,892	306,215	43	492,150
Travel and mileage	267,482	1,559	203	269,244
Other	619,521	845,824	13,016	1,478,361
	<u>\$ 14,356,467</u>	<u>\$ 1,546,189</u>	<u>\$ 117,402</u>	<u>\$ 16,020,058</u>

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	June 30, 2021			
	Program Services	General & Administrative	Fundraising	Total
Salaries and wages	\$ 8,350,586	\$ 153,948	\$ 72,610	\$ 8,577,144
Employee benefits	1,952,302	68,230	13,872	2,034,404
Depreciation	267,577	68,240	-0-	335,817
Interest	43,185	3,323	-0-	46,508
Utilities, rent, and maintenance	329,839	50,423	-0-	380,262
Purchased services	219,359	361,344	51	580,754
Travel and mileage	179,081	1,044	136	180,261
Other	464,875	634,687	9,767	1,109,329
	<u>\$ 11,806,804</u>	<u>\$ 1,341,239</u>	<u>\$ 96,436</u>	<u>\$ 13,244,479</u>

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

	2022	2021
Cash	\$ 3,749,967	\$ 4,275,051
Contract receivables	1,647,421	1,484,774
Other receivables	570,158	278,600
Undesignated investments	4,363,738	4,237,235
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,331,284</u>	<u>\$ 10,275,660</u>

In addition, Sycamore Services has \$1,200,000 of board designated investments as of June 30, 2022 and 2021, respectively. While the board of directors does not intend to spend these funds within the next year, the amount could be made available, if necessary. The receivables are subject to implied time restrictions but are expected to be collected within one year. As a part of Sycamore Service's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations come due.

18. COMMITMENTS AND CONTINGENCIES

Certain grants and contracts require the fulfillment of certain conditions as set forth in the agreements. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, Sycamore Services deems the contingency remote, since by accepting the funds and their terms it has accommodated the objectives of the organization to the provisions of the grant or contract.

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Sycamore Services maintains general and professional liability insurance, designed to cover potential losses resulting from litigation; however, some claims may not be covered by this insurance. General and professional liability coverage is provided on an occurrence-made basis. Based on insurance coverage in effect during the period, management of Sycamore Services is not aware of any pending litigation or unasserted claims as of June 30, 2022 that would be significant to the consolidated financial statements. However, due to the nature of the health care industry, at any point in time, Sycamore Services may become subject to professional liability claims and lawsuits, some of which may not be covered by this insurance or exceed the policy thresholds.

19. COVID-19

In March 2020, the World Health Organization declared COVID-19 a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may continue to adversely impact the local, regional, national, and global economies. The extent to which COVID-19 continues to impact Sycamore Services' operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Impacts include, but are not limited to, additional costs for responding to COVID-19, potential shortages of personnel, potential shortages of supplies, loss of, or reduction to, revenue, and investment portfolio declines. Management believes it is taking appropriate actions to respond to the pandemic. However, the full impact is unknown and cannot be reasonably estimated at the date the consolidated financial statements were available to be issued.

During 2021, Provider Relief Funds (PRF) grants authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) were distributed to eligible providers impacted by the outbreak of the COVID-19 pandemic. Sycamore Services received and recognized approximately \$236,000 of these funds from the CARES Act during 2021. Sycamore Services did not receive PRF grants during 2022. PRF amounts are recognized to the extent Sycamore Services meets the terms and conditions as set forth related to qualifying COVID-19 expenses and lost revenues. These funds are recognized under COVID-19 grants in the consolidated statements of activities and changes in net assets. Sycamore Services did not defer any of the PRF as refundable advances as of June 30, 2022 and 2021. Compliance with the terms and conditions as set forth related to qualifying COVID-19 expenses and lost revenues may also be subject to future government review and interpretation. There can be no assurance that regulatory authorities will not challenge Sycamore Service's compliance with the terms and conditions as set forth related to qualifying COVID-19 expenses and lost revenues, and it is not possible to determine the impact (if any) such claims would have upon Sycamore Services' consolidated financial position.

20. FEDERAL, STATE AND LOCAL AWARDS

Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts, requires Indiana not-for-profit entities to report federal, state, and local awards expended during the entities' annual reporting period. The federal awards for Sycamore Services are reported in the schedule of expenditures of federal awards (SEFA) for the year ended June 30, 2022 as required under Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the *Uniform Guidance*).

**SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
DBA SYCAMORE SERVICES, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

In 2022 and 2021, Sycamore Services received COVID-19 federal grant funds of approximately \$226,000 and \$579,000 passed through the Department of Treasury and the State of Indiana Family and Social Services Administration (FSSA) for sustainability of its services programs. FSSA considers Sycamore Services a beneficiary for these grant funds rather than sub-recipient. As a beneficiary, these funds are excluded from Sycamore Services' SEFA under the *Uniform* Guidance.

During 2022 and 2021, Sycamore Services expended the following state and local awards:

	2022	2021
State		
Indiana Department of Transportation	\$ 135,385	\$ 79,868
Local		
Hendricks County	\$ 58,601	\$ 39,267
Morgan County	42,000	42,000
Total local awards	\$ 100,601	\$ 81,267



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**REPORT OF INDEPENDENT AUDITORS 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**

Board of Directors
Sycamore Rehabilitation Services / Hendricks County ARC, Inc.
dba Sycamore Services, Inc.
Danville, Indiana

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 consolidated financial statements of Sycamore Rehabilitation Services / Hendricks County ARC, Inc. dba Sycamore Services, Inc. (Sycamore Services), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Sycamore Services' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sycamore Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Sycamore Services' 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 Sycamore Services' consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Sycamore Rehabilitation Services / Hendricks County ARC, Inc.
dba Sycamore Services, Inc.
Danville, Indiana

Report on Compliance and Other Matters

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

Blue & Co., LLC

Indianapolis, Indiana
March 17, 2023



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
 INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 REQUIRED BY THE *UNIFORM GUIDANCE***

Board of Directors
 Sycamore Rehabilitation Services / Hendricks County ARC, Inc.
 dba Sycamore Services, Inc.
 Danville, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sycamore Rehabilitation Services / Hendricks County ARC, Inc. dba Sycamore Services, Inc. (Sycamore Services) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Sycamore Services' major federal programs for the year ended June 30, 2022. Sycamore Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sycamore Services' complied, in all material respects, with the compliance requirements referred to above is that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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* (the *Uniform Guidance*). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sycamore Services and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Sycamore Services' 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 Sycamore Services' federal programs.

Board of Directors
Sycamore Rehabilitation Services / Hendricks County ARC, Inc.
dba Sycamore Services, Inc.
Danville, Indiana

Auditor's 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 due to fraud or error, and express an opinion on Sycamore Services' 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 generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting 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 judgement made by a reasonable user of the report on compliance about Sycamore Services' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance*, we:

- Exercise professional judgement 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 Sycamore Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sycamore Services' 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*, but not for the purpose of expressing an opinion on the effectiveness of Sycamore Services' 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Sycamore Rehabilitation Services / Hendricks County ARC, Inc.
dba Sycamore Services, Inc.
Danville, Indiana

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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.

Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

We have audited the financial statements of the Sycamore Services as of and for the year ended June 30, 2022, and have issued our report thereon dated March 17, 2023 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the *Uniform Guidance*, 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 audit 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
March 17, 2023

**SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
DBA SYCAMORE SERVICES, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor / Pass-through / Program Title	Assistance Listing #	Grant ID #	Total
Major program			
Department of Transportation			
Passed through Indiana Department of Transportation			
Formula Grants for Rural Areas (5311)	20.509	A249-20-G200038	\$ 1,232,141
Non-major programs			
Department of Housing and Urban Development			
Passed through State of Indiana - Office of			
Community and Rural Affairs - Hendricks County			
Community Development Block Grant	14.228	56214	58,027
Department of Health and Human Services			
COVID-19 - CARES Act, Provider Relief Fund	93.498	Not available	235,889
Total non-major programs			293,916
Total federal expenditures			<u>\$ 1,526,057</u>

See report on schedule of expenditures on federal awards required by the *Uniform Guidance* on page 32.
See accompanying notes to schedule of expenditures of federal awards.

**SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
DBA SYCAMORE SERVICES, INC.**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Sycamore Rehabilitation Services / Hendricks County ARC, Inc. dba Sycamore Services, Inc. (Sycamore Services) under programs of the federal government for the year ended June 30, 2022. The information in the SEFA is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the *Uniform Guidance*). Therefore, some of the amounts presented in the SEFA may differ from amounts presented in or used in the preparation of the basic consolidated financial statements. The basic consolidated financial statement classifications may include other financial activity for reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Center has elected to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

3. SUBRECIPIENT PASS-THROUGH

Sycamore Services did not pass through any federal awards to subrecipients during 2022.

4. PROVIDER RELIEF FUNDS

Under terms and conditions of the Provider Relief Fund (PRF) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Sycamore Services is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received.

The 2022 SEFA includes PRF of approximately \$236,000 which was received by Sycamore Services during June 30, 2021. Sycamore Services recognized \$236,000 as revenue in the 2021 statement of activities and changes in net assets as the terms and conditions of the PRF grant were satisfied by Sycamore Services during 2021. HHS requires these PRF amounts be reported on the 2022 SEFA, rather than the 2021 SEFA. Sycamore Services did not receive PRF funds during 2022.

5. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTED EQUIPMENT (UNAUDITED)

During 2022, Sycamore Services did not receive any material donated personal protective equipment from federal sources.

**SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
DBA SYCAMORE SERVICES, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes <u> X </u> none noted
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal controls over major programs	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes <u> X </u> none noted
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes <u> X </u> no
Identification of major program	
Department of Transportation - Formula Grants for Rural Areas - CFDA 20.509	
Dollar threshold used to distinguish between type A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no

**Section II - Findings Related to Financial Statements Reported in
Accordance With Government Auditing Standards:**

No matters reported

Section III - Findings and Questioned Costs Relating to Federal Awards:

No matters reported

Section IV - Summary Schedule of Prior Audit Findings:

Not applicable