



CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

CPAs / ADVISORS



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

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Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Sycamore Rehabilitation Services / Hendricks County ARC, Inc. dba Sycamore Services, Inc. (Sycamore Services), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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

Opinion

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, 2021 and 2020, 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.

Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, effective July 1, 2019, Sycamore Services early adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, and early adopted ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. Our opinion is not modified with respect to these matters.

Blue & Co., LLC

Indianapolis, Indiana
January 25, 2022

**SYCAMORE REHABILITATION SERVICES / HENDRICKS COUNTY ARC, INC.
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS		
	2021	2020
Current assets		
Cash	\$ 4,275,051	\$ 4,069,276
Contract receivables, net	1,484,774	1,032,083
Other receivables	278,600	211,085
Prepaid expenses	76,444	98,594
Total current assets	6,114,869	5,411,038
Investments		
Undesignated	4,237,235	3,515,982
Designated for capital improvements	1,200,000	1,200,000
Donor restricted	10,000,122	7,639,459
Total investments	15,437,357	12,355,441
Property and equipment, net	2,958,485	3,115,258
Funds held by Community Foundation	85,872	73,697
Total assets	<u>\$ 24,596,583</u>	<u>\$ 20,955,434</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	\$ 24,013	\$ 27,459
Accounts payable and accrued expenses	389,000	300,394
Accrued salaries and related liabilities	1,169,453	1,026,989
Paycheck Protection Program note payable	2,352,500	-0-
Refundable advances	25,395	31,867
Total current liabilities	3,960,361	1,386,709
Long-term debt less current portion	677,533	701,407
Paycheck Protection Program note payable	-0-	2,352,500
Refundable advances	219,839	280,099
Total liabilities	4,857,733	4,720,715
Net assets		
Without donor restrictions		
Undesignated	8,498,728	7,355,260
Designated for capital improvements	1,200,000	1,200,000
Total without donor restrictions	9,698,728	8,555,260
With donor restrictions	10,040,122	7,679,459
Total net assets	19,738,850	16,234,719
Total liabilities and net assets	<u>\$ 24,596,583</u>	<u>\$ 20,955,434</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, 2021 AND 2020

	2021	2020
Revenue		
Public support		
Federal and state transportation funds	\$ 805,900	\$ 1,037,772
COVID-19 grants	814,436	-0-
Other grants	762,389	527,892
County funds and other contributions	239,785	547,078
United Way funds	120,458	53,239
Net assets released from restriction	25,814	129,292
Total public support	2,768,782	2,295,273
Service revenue		
Adult services	8,428,304	9,433,113
Children services	1,838,359	2,026,917
Contract services	25,457	33,535
Print shop	84,178	129,471
Total service revenue	10,376,298	11,623,036
Other revenue		
Investment return, net	715,562	76,443
Rental	117,670	135,030
Other	409,635	426,053
Total other revenue	1,242,867	637,526
Total revenue	14,387,947	14,555,835
Expenses		
Salaries and wages	8,450,411	9,286,313
Employee benefits	2,161,137	2,280,337
Depreciation	335,817	351,179
Interest	46,508	41,093
Utilities, rent, and maintenance	380,262	465,952
Purchased services	580,754	355,106
Travel and mileage	180,261	301,945
Other	1,109,329	1,184,297
Total expenses	13,244,479	14,266,222
Change in net assets without donor restrictions	1,143,468	289,613
Net assets with donor restrictions		
Investment return, net	2,386,477	115,911
Net assets released from restriction	(25,814)	(129,292)
Change in net assets with donor restrictions	2,360,663	(13,381)
Change in net assets	3,504,131	276,232
Net assets		
Beginning of year	16,234,719	15,958,487
End of year	\$ 19,738,850	\$ 16,234,719

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, 2021 AND 2020

	2021	2020
Operating activities		
Change in net assets	\$ 3,504,131	\$ 276,232
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	335,817	351,179
Gain on disposal of property and equipment	-0-	(2,287)
Realized and unrealized gains on investments	(2,986,401)	(72,425)
Change in funds held by Community Foundation	(12,175)	(4,648)
Changes in operating assets and liabilities		
Contract receivables, net	(452,691)	514,848
Other receivables	(67,515)	(211,085)
Prepaid expenses	22,150	(5,241)
Accounts payable and accrued expenses	88,606	(43,537)
Accrued salaries and related liabilities	142,464	12,934
Refundable advances	(66,732)	(96,905)
Net cash flows from operating activities	507,654	719,065
Investing activities		
Capital expenditures	(179,044)	(527,423)
Proceeds from the sale of investments	10,652,278	8,359,584
Purchase of investments	(10,747,793)	(8,463,038)
Net cash flows from investing activities	(274,559)	(630,877)
Financing activities		
Proceeds from Paycheck Protection Program	-0-	2,352,500
Principal payments on long-term debt	(17,173)	(15,684)
Principal payments on capital leases	(10,147)	(8,735)
Net cash flows from financing activities	(27,320)	2,328,081
Net change in cash	205,775	2,416,269
Cash		
Beginning of year	4,069,276	1,653,007
End of year	\$ 4,275,051	\$ 4,069,276
Supplemental cash flows information		
Cash paid for interest	\$ 46,508	\$ 41,093

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 using the accrual basis of accounting, whereby revenues and assets are recorded when earned and expenses and liabilities are recorded when 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, 2021 and 2020, allowances against contract receivables amounted to approximately \$312,000 and \$167,000, respectively. Contract receivables along with the associated allowances were \$1,547,000 and \$181,000, respectively, as of July 1, 2019.

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 consist of money market deposit accounts, certificates of deposit, mutual funds, common stocks, and bonds. Money market deposit accounts, mutual funds, common stocks, and bonds are reported at fair value and certificates of deposit are reported at contract value. Unrealized and realized gains and losses, interest, dividends, and investment fees from all investments are reported in investment return, 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. 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. 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 include undesignated net assets along with board designated net assets for capital improvements (\$1,200,000 as of June 30, 2021 and 2020).
- 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 \$10,040,000 and \$7,679,000 as of June 30, 2021 and 2020, 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 Funds

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 \$279,000 and \$211,000 as of June 30, 2021 and 2020, 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 and totaled \$245,000 and \$312,000 as of June 30, 2021 and 2020, respectively. A portion of these grants are passed through to sub-recipients. The amounts passed through to the sub-recipients are recorded both as revenue and as expense in the consolidated statements of activities and changes in net assets. These grant agreements are subject to various compliance requirements, and Sycamore Services believes it is in full compliance with these requirements.

COVID-19 and Other Grants

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 statements of financial position. There were no refundable advances as of June 30, 2021 and 2020.

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

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restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and 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 has 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, 2021 and 2020.

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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. Sycamore Services did not have refundable advances as of June 30, 2021 and 2020 related to adult and children services. Sycamore Services did recognize receivables from these programs of approximately \$838,000 and \$686,000 as of June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2020 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, 2020.

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 January 25, 2022.

Upcoming Accounting Standards Updates

In February 2016, the Financial Accounting Standards Board (FASB) 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.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. The ASU requires that a NFP organization present contributed nonfinancial assets as a separate line item in its statement of activities and changes in net assets, apart from contributions of cash or other financial assets. Additionally, this ASU includes expanded disclosure requirements. Sycamore Services will be required to adopt this standard during its year ending June 30, 2022.

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

2. CHANGE IN ACCOUNTING PRINCIPLES

ASU 2014-09

On July 1, 2019, Sycamore Services early adopted the revenue recognition accounting standard issued by FASB and codified in the FASB Accounting Standards Codification (ASC) as Topic 606 (ASC 606). The revenue recognition standard in ASC 606 outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The standard also requires expanded disclosures regarding Sycamore Services' revenue recognition policies and significant judgments employed in the determination of revenue. Sycamore Services applied the modified retrospective approach to all contracts when adopting ASC 606.

The adoption of ASC 606 did not have a material impact on the 2021 and 2020 consolidated financial statements and Sycamore Services does not expect it to have a material impact on its results of operations on a prospective basis. As part of the adoption of ASC 606, Sycamore Services elected two of the available practical expedients provided for in the standard. First, Sycamore Services does not adjust the transaction price for any financing components as those were deemed insignificant. Additionally, Sycamore Services expenses all incremental customer contract acquisition costs as incurred because such costs are not material and would be amortized over a period less than one year.

ASU 2018-08 and ASU 2018-13

On July 1, 2019, Sycamore Services adopted FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return on assets transferred or a right of release of a promisor's obligation to transfer assets. Finally, ASU 2018-08 amends the "simultaneous release accounting policy" to allow a not-for-profit entity to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

On July 1, 2019, Sycamore Services early adopted FASB ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU removed and modified certain disclosure requirements in Topic 820.

The adoption of ASU 2018-08 and ASU 2018-13 did not have a material impact on the 2021 or 2020 consolidated financial statements.

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3. INVESTMENTS

Investments as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Cash	\$ 1,848,121	\$ 1,746,011
Certificates of deposit	285,683	282,129
Mutual funds	11,427,672	8,763,601
Common stocks	806,654	475,720
Corporate and government bonds	1,069,227	1,087,980
	<u>\$ 15,437,357</u>	<u>\$ 12,355,441</u>

Investment return, net of investment fees included in changes in net assets without donor restrictions and changes in net assets with donor restrictions for 2021 and 2020 consists of the following:

	2021	2020
Interest and dividends	\$ 115,638	\$ 119,929
Realized and unrealized gains on investments	2,986,401	72,425
	<u>\$ 3,102,039</u>	<u>\$ 192,354</u>

4. 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 2021 and 2020:

- *Money market mutual funds*: Valued based at the subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of securities.
- *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, 2021 and 2020 are as follows:

	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

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	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds				
Money market	\$ 71,623	\$ -0-	\$ 71,623	\$ -0-
Intermediate-term bond	489,865	489,865	-0-	-0-
Short-term bond	774,367	774,367	-0-	-0-
Large blend	4,074,685	4,074,685	-0-	-0-
Large growth	2,313,507	2,313,507	-0-	-0-
Large value	461,241	461,241	-0-	-0-
Small value and other	578,313	578,313	-0-	-0-
Total mutual funds	8,763,601	8,691,978	71,623	-0-
Common stocks				
Technology	178,321	178,321	-0-	-0-
Consumer	79,266	79,266	-0-	-0-
Finance	63,114	63,114	-0-	-0-
Other	155,019	155,019	-0-	-0-
Total common stocks	475,720	475,720	-0-	-0-
Corporate and government bonds	1,087,980	-0-	1,087,980	-0-
	10,327,301	\$ 9,167,698	\$ 1,159,603	\$ -0-
Certificates of deposit at contract value	282,129			
Cash	1,746,011			
Total investments	\$ 12,355,441			
Funds held by Community Foundation	\$ 73,697	\$ -0-	\$ -0-	\$ 73,697

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, 2021 and 2020. The following is a progression of the level 3 assets for 2021 and 2020.

	2021	2020
Funds held by Community Foundation		
Beginning of year	\$ 73,697	\$ 69,049
Investment return	20,179	12,370
Distributions	(6,112)	(6,210)
Fees	(1,892)	(1,512)
End of year	\$ 85,872	\$ 73,697

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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5. ENDOWMENT

Sycamore Services' endowment consists of cash and investments and earnings thereon, related to a contribution received during 2018. The 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:

	2021	2020
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	2,942,419	555,942
	<u>\$ 9,945,019</u>	<u>\$ 7,558,542</u>

Changes in endowment net assets were as follows:

	2021	2020
Endowment funds with donor restrictions		
Beginning balance	\$ 7,558,542	\$ 7,442,631
Net investment return	2,386,477	115,911
Ending balance	<u>\$ 9,945,019</u>	<u>\$ 7,558,542</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.

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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
- (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.

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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 had no such deficiencies as of June 30, 2021 and 2020.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following on June 30:

	2021	2020
Land	\$ 694,525	\$ 694,525
Buildings	3,792,221	3,635,431
Equipment	1,023,832	1,006,752
Vehicles	1,509,256	1,504,083
	7,019,834	6,840,791
Accumulated depreciation	(4,061,349)	(3,725,533)
Property and equipment, net	<u>\$ 2,958,485</u>	<u>\$ 3,115,258</u>

There were no significant outstanding commitments related to property and equipment as of June 30, 2021.

7. PAYCHECK PROTECTION PROGRAM

In April 2020, Sycamore Services received a low interest loan in the amount of \$2,352,500 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP loan was unsecured, bore interest at 1% and funds advanced under the program were subject to forgiveness, if certain criteria were met, with the remaining balance repayable within two years of disbursement. The PPP loan was forgivable to the extent that Sycamore Services incurred and spent the funds on qualified expenditures, which include 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 loan forgiveness. Sycamore Services elected to account for the PPP loan as debt and recognized forgiveness when legally forgiven by the SBA which occurred subsequent to August 31, 2021.

In October 2021, Sycamore Services received notice from the SBA of partial forgiveness of the PPP loan which totaled approximately \$2,085,000 and will be recognized as debt forgiveness in the 2022 consolidated financial statements. The remainder of the PPP loan was repaid to the SBA in October 2021.

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8. LONG-TERM DEBT

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

	2021	2020
Note payable, variable interest rate equal to the Wall Street Journal prime rate plus .75% (4.00% at June 30, 2021), due May 2045, payable in monthly installments of approximately \$2,400 including principal and interest. Secured by real estate with a net book value of \$693,000 and \$725,000 as of June 30, 2021 and 2020, respectively.	\$ 559,404	\$ 572,809
Note payable, fixed interest of 7.57%, due December 2021, payable in monthly installments of approximately \$800, secured by equipment with a net book value of \$4,000 and \$12,000 as of June 30, 2021 and 2020, respectively.	5,020	14,403
Journal prime rate plus .25% (3.50% at June 30, 2021), due December 2038, payable in monthly installments of approximately \$1,000 including principal and interest. Secured by real estate with a net book value of \$214,000 and \$220,000 as of June 30, 2021 and 2020, respectively	137,122	141,654
	701,546	728,866
Current portion	(24,013)	(27,459)
	<u>\$ 677,533</u>	<u>\$ 701,407</u>

Maturities of long-term debt are as follows for the years ending after June 30, 2021:

Year Ending June 30,	
2022	\$ 24,013
2023	19,997
2024	20,977
2025	22,163
2026	23,334
Thereafter	591,062
	<u>\$ 701,546</u>

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9. LINE OF CREDIT

Sycamore Services had an approved line of credit of \$750,000, which expired in September 2021 and was not renewed. The line of credit was secured by substantially all assets of Sycamore Services and was subject to a variable interest rate equal to the Prime Rate. As of June 30, 2021 and 2020, there was no outstanding balance on the line of credit.

10. 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, 2021 and 2020, Sycamore Services estimates a liability of approximately \$25,000 and \$56,000, 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 \$864,000 and \$999,000 in 2021 and 2020, respectively.

11. 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 2021 and 2020, total contributions made by Sycamore Services were approximately \$384,000, and \$337,000, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to expenditure for specified purpose		
Technology	\$ 12,199	\$ 19,545
Public relations and fund development	18,404	35,603
Staff recruitment, retention, and training	26,736	28,005
Total subject to expenditure for specified purpose	57,339	83,153
Accumulated investment earnings subject		
to spending policy and appropriation	2,942,419	555,942
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>\$ 10,040,122</u>	<u>\$ 7,679,459</u>

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Net assets released in 2021 and 2020 are as follows:

	2021	2020
Technology	\$ 7,346	\$ 44,411
Public relations and fund development	17,199	69,397
Staff recruitment, retention, and training	1,269	15,484
	<u>\$ 25,814</u>	<u>\$ 129,292</u>

13. LEASE COMMITMENTS

Sycamore Services lease office and warehouse space under non-cancelable lease arrangements through 2024. Rent expense for 2021 and 2020 was approximately \$157,000 and \$180,000, 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, 2021:

Year Ending June 30,	
2022	\$ 60,000
2023	55,000
2024	42,000
	<u>\$ 157,000</u>

14. RENTAL INCOME

Sycamore Services leases properties to individuals under annual lease arrangements. Total rental income for apartment operating leases was approximately \$118,000 and \$135,000 for 2021 and 2020, respectively. The properties are included in property and equipment with a cost of \$1,662,000 and accumulated depreciation of \$719,000 and \$662,000 as of June 30, 2021 and 2020 and 2020, respectively. Sycamore Services expects to recognize \$118,000 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	
	2021	2020	2021	2020
Division of Aging and Rehabilitation Services	22%	12%	13%	11%
Medicaid	42%	51%	72%	74%
Other (none over 10%)	36%	37%	15%	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, 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 is a schedule of functional expenses for 2021 and 2020:

	June 30, 2021			
	Program Services	General & Administrative	Fundraising	Total
Salaries and wages	\$ 7,489,272	\$ 931,926	\$ 29,213	\$ 8,450,411
Employee benefits	1,845,822	308,253	7,062	2,161,137
Depreciation	262,472	67,769	5,576	335,817
Interest	42,258	4,250	-0-	46,508
Utilities, rent, and maintenance	308,545	71,585	132	380,262
Purchased services	143,004	437,750	-0-	580,754
Travel and mileage	179,399	838	24	180,261
Other	566,199	538,797	4,333	1,109,329
	<u>\$ 10,836,971</u>	<u>\$ 2,361,168</u>	<u>\$ 46,340</u>	<u>\$ 13,244,479</u>

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	June 30, 2020			
	Program Services	General & Administrative	Fundraising	Total
Salaries and wages	\$ 8,229,049	\$ 1,027,164	\$ 30,100	\$ 9,286,313
Employee benefits	1,916,649	355,683	8,005	2,280,337
Depreciation	286,114	64,623	442	351,179
Interest	36,481	4,612	-0-	41,093
Utilities, rent, and maintenance	370,936	95,016	-0-	465,952
Purchased services	132,412	222,694	-0-	355,106
Travel and mileage	298,204	3,218	523	301,945
Other	594,648	567,760	21,889	1,184,297
	<u>\$ 11,864,493</u>	<u>\$ 2,340,770</u>	<u>\$ 60,959</u>	<u>\$ 14,266,222</u>

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As of June 30, 2021, Sycamore Services has approximately \$10,276,000 of financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditure consisting of cash of approximately \$4,275,000, undesignated investments of \$4,237,000, contract receivables of \$1,485,000, and other receivables of \$279,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. Contract receivables and other receivables are subject to implied time restrictions but are expected to be collected within one year. Sycamore Services' policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of June 30, 2020, Sycamore Services has approximately \$8,828,000 of financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditure consisting of cash of approximately \$4,069,000, undesignated investments of \$3,516,000, contract receivables of \$1,032,000, and other receivables of \$211,000.

In addition, Sycamore Services has \$1,200,000 of board designated investments as of June 30, 2021 and 2020, 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.

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18. RISK MANAGEMENT

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. The policy provides coverage limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. In addition, Sycamore Services procures excess coverage limits in the amounts of \$3,000,000. Based on insurance coverage in effect during the period, management of Sycamore Services is not aware of any pending litigation or unasserted claims that would result in significant losses. 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.

19. 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.

20. COVID-19

In March 2020, the World Health Organization declared Coronavirus (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 and 2020, Provider Relief Funds (PRF) grants authorized under the CARES Act were distributed to eligible providers impacted by the outbreak of the COVID-19 pandemic. Sycamore Services received and recognized approximately \$236,000 and \$-0- of these funds from the Coronavirus Aids, Relief, and Economic Security (CARES) Act during 2021 and 2020, respectively. 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, 2021 and 2020. 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.

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21. 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 disclose federal, state, and local awards expended during the entities' annual reporting period. During 2021 and 2020, Sycamore Services expended the following awards:

Award Type / Grantor / Pass-Through Entity / Program Title	2021	2020
Federal		
Department of Transportation		
Indiana Department of Transportation		
Hendricks County Board of Commissioners		
Formula Grants for Rural Areas - Catalog of Federal		
Domestic Assistance (CFDA) #20.509	\$ 726,032	\$ 612,289
To be reported on 2022 Schedule of Expenditures of Federal Awards		
Department of Health and Human Services		
COVID-19 - PRF CFDA # 93.498	235,899	-0-
Deemed beneficiary and not subrecipient by grantor		
Department of Health and Human Services		
Family and Social Services Administration		
COVID-19 - Day Services Sustainability Grant CFDA #21.019	255,431	-0-
COVID-19 - Home and Community Based Services Grant CFDA #21.019	323,106	-0-
Total federal awards	1,540,468	612,289
State		
Indiana Department of Transportation		
Hendricks County Board of Commissioners	79,868	264,365
Local		
Hendricks County	39,267	52,488
Morgan County	42,000	42,000
Total local awards	81,267	94,488
Total federal, state, and local awards	\$ 1,701,603	\$ 971,142

The COVID-19 - PRF was received and expended during 2021 under the CARES Act through the Department of Health and Human Services (HHS) under CFDA #93.498. HHS requires these PRF amounts be reported on the 2022 schedule of expenditures of federal awards (SEFA), rather than the 2021 SEFA to coincide with HHS portal reporting guidelines.

In 2021, Sycamore Services also received COVID-19 federal grant funds of approximately \$579,000 passed through HHS 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' determination of federal expenditures under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.