



DSI DIVERSIFIED SOLUTIONS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2021 AND 2020

DSI DIVERSIFIED SOLUTIONS, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
DSI Diversified Solutions, Inc.
Columbus, Indiana

We have audited the accompanying consolidated financial statements of DSI Diversified Solutions, Inc. (the Corporation) 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, functional expenses 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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
DSI Diversified Solutions, Inc.
Columbus, Indiana

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards on pages 25 and 26, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying consolidated schedule of expenditures of state and local awards on page 27 is also presented for purposes of additional analysis and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
December 17, 2021

DSI DIVERSIFIED SOLUTIONS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

	ASSETS	
	2021	2020
Current assets		
Cash	\$ 3,915,579	\$ 3,253,204
Contract receivables, net	2,413,542	2,565,130
Other receivables, net	145,837	36,516
Prepaid expenses	148,378	158,491
Inventory and other current assets	139,983	170,301
Total current assets	6,763,319	6,183,642
Other assets		
Property and equipment, net	10,228,360	10,469,768
Investments held by others	644,706	504,870
Investments	3,682,975	2,636,934
Deposits and reserves	158,592	158,585
Accrued interest receivable	1,023,797	890,179
Notes receivable	3,407,271	3,407,271
Total other assets	19,145,701	18,067,607
Total assets	\$ 25,909,020	\$ 24,251,249
	LIABILITIES AND NET ASSETS	
Current liabilities		
Accounts payable	\$ 257,381	\$ 253,338
Employee compensation payable	724,709	1,271,377
Benefits payable	348,588	307,339
Other current liabilities	115,150	123,530
Current portion of notes payable	2,610	6,756
Total current liabilities	1,448,438	1,962,340
Long-term liabilities		
Other liabilities	51,637	68,089
Refundable advances	654,771	231,860
Notes payable	922,217	922,621
Total long-term liabilities	1,628,625	1,222,570
Total liabilities	3,077,063	3,184,910
Net assets		
Without donor restrictions		
Undesignated	21,483,815	19,803,923
Board designated - held by others	644,706	504,870
Total without donor restrictions	22,128,521	20,308,793
With donor restrictions	703,436	757,546
Total net assets	22,831,957	21,066,339
Total liabilities and net assets	\$ 25,909,020	\$ 24,251,249

See accompanying notes to the consolidated financial statements.

DSI DIVERSIFIED SOLUTIONS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Service revenue and other support				
Medicaid services	\$ 17,148,023	\$ -0-	\$ 17,148,023	\$ 18,416,042
Transportation services	3,086,397	-0-	3,086,397	2,761,196
Infant/Toddler services	1,207,652	-0-	1,207,652	1,235,980
Vocational rehabilitation services	408,925	-0-	408,925	497,803
Work contract services, net of cost of goods sold of \$1,184,553 in 2021 and \$1,120,964 in 2020	363,339	-0-	363,339	354,263
Client service fees	367,465	-0-	367,465	400,452
Social Services Block grant	-0-	-0-	-0-	78,828
The Arc	57,000	-0-	57,000	57,579
County commissioners	207,062	-0-	207,062	239,937
United Way	34,139	-0-	34,139	41,474
Rental income	357,033	-0-	357,033	344,804
Vending machine income	3,399	-0-	3,399	8,266
Gain on sale of property and equipment	50,595	-0-	50,595	118,811
Investment return	281,345	-0-	281,345	268,640
COVID-19 grants	1,821,843	-0-	1,821,843	311,761
Other	899,121	-0-	899,121	969,655
Net assets released from restrictions	54,110	(54,110)	-0-	-0-
Total service revenue and other support	26,347,448	(54,110)	26,293,338	26,105,491
Expenses				
Program services				
Family support	2,320,901	-0-	2,320,901	2,798,196
Supported living	5,535,871	-0-	5,535,871	5,926,959
Residential	3,362,730	-0-	3,362,730	3,474,851
County services	3,303,487	-0-	3,303,487	3,742,260
Child services	1,359,867	-0-	1,359,867	1,366,172
Nursing and residential support	529,692	-0-	529,692	566,547
Business and industry	1,198,030	-0-	1,198,030	1,569,679
Employment	457,532	-0-	457,532	533,707
Rural transportation	2,338,216	-0-	2,338,216	2,326,506
Housing projects	606,165	-0-	606,165	574,228
Total program services	21,012,491	-0-	21,012,491	22,879,105
Support services				
Marketing and capital development	247,534	-0-	247,534	284,895
Management and general	3,267,695	-0-	3,267,695	3,077,765
Total supporting services	3,515,229	-0-	3,515,229	3,362,660
Total expenses	24,527,720	-0-	24,527,720	26,241,765
Change in net assets	1,819,728	(54,110)	1,765,618	(136,274)
Net assets				
Beginning of year	20,308,793	757,546	21,066,339	21,202,613
End of year	\$ 22,128,521	\$ 703,436	\$ 22,831,957	\$ 21,066,339

See accompanying notes to the consolidated financial statements.

DSI DIVERSIFIED SOLUTIONS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Service revenue and other support			
Medicaid services	\$ 18,416,042	\$ -0-	\$ 18,416,042
Transportation services	2,761,196	-0-	2,761,196
Infant/Toddler services	1,235,980	-0-	1,235,980
Vocational rehabilitation services	497,803	-0-	497,803
Work contract services, net of cost of goods sold of \$1,120,964	354,263	-0-	354,263
Client service fees	400,452	-0-	400,452
Social Services Block Grant	78,828	-0-	78,828
The Arc	57,579	-0-	57,579
County commissioners	239,937	-0-	239,937
United Way	41,474	-0-	41,474
Rental income	344,804	-0-	344,804
Vending machine income	8,266	-0-	8,266
Gain on sale of property and equipment	118,811	-0-	118,811
Investment return	268,640	-0-	268,640
COVID-19 grants	311,761	-0-	311,761
Other	969,655	-0-	969,655
Net assets released from restrictions	54,110	(54,110)	-0-
Total service revenue and other support	26,159,601	(54,110)	26,105,491
Expenses			
Program services			
Family support	2,798,196	-0-	2,798,196
Supported living	5,926,959	-0-	5,926,959
Residential	3,474,851	-0-	3,474,851
County services	3,742,260	-0-	3,742,260
Child services	1,366,172	-0-	1,366,172
Nursing and residential support	566,547	-0-	566,547
Business and industry	1,569,679	-0-	1,569,679
Employment	533,707	-0-	533,707
Rural transportation	2,326,506	-0-	2,326,506
Housing projects	574,228	-0-	574,228
Total program services	22,879,105	-0-	22,879,105
Support services			
Marketing and capital development	284,895	-0-	284,895
Management and general	3,077,765	-0-	3,077,765
Total supporting services	3,362,660	-0-	3,362,660
Total expenses	26,241,765	-0-	26,241,765
Change in net assets	(82,164)	(54,110)	(136,274)
Net assets			
Beginning of year	20,390,957	811,656	21,202,613
End of year	\$ 20,308,793	\$ 757,546	\$ 21,066,339

See accompanying notes to the consolidated financial statements.

DSI DIVERSIFIED SOLUTIONS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	Program Services											Support Services			2021 Total	2020 Total
	Nursing and											Marketing	Management	Total		
	Family Support	Supported Living	Residential	County Services	Child Services	Residential Support	Business and Industry	Employment	Rural Transportation	Housing Projects	Total Program Services	and Capital Development	and Administrative	Support Services		
Personnel expense	\$ 2,183,762	\$ 5,161,649	\$ 2,209,715	\$ 2,540,850	\$ 287,635	\$ 476,413	\$ 1,766,432	\$ 413,737	\$ 1,407,332	\$ 206,812	\$ 16,654,337	\$ 146,222	\$ 2,219,351	\$ 2,365,573	\$ 19,019,910	\$ 20,327,087
Professional services	9,898	36,913	106,029	51,893	1,054,888	11,885	29,780	9,381	32,505	55,044	1,398,216	10,241	392,960	403,201	1,801,417	1,726,015
Supplies	2,523	14,447	200,057	56,154	3,880	4,291	123,346	2,608	20,215	12,960	440,481	7,708	78,454	86,162	526,643	570,324
Telephone/Internet	9,643	134,971	40,676	47,052	2,835	10,944	12,999	11,626	26,533	6,808	304,087	3,043	41,158	44,201	348,288	347,294
Postage & shipping	3	19	11	3,046	66	21	225	-0-	516	43	3,950	79	10,560	10,639	14,589	14,495
Occupancy	10,288	32,341	289,191	185,247	7,796	7,190	230,746	7,645	50,245	106,611	927,300	9,862	100,767	110,629	1,037,929	1,060,626
Travel	69,059	64,458	57,937	198,661	1,956	17,978	11,735	6,585	350,308	452	779,129	1,456	48,323	49,779	828,908	951,700
Conference & meetings	1,506	3,899	413	3,046	42	-0-	3,177	565	470	-0-	13,118	1,114	37,697	38,811	51,929	72,382
Client support	2,792	37,221	378,268	20,039	65	-0-	71,650	1,891	-0-	519	512,445	7	1,692	1,699	514,144	550,195
Membership dues	-0-	175	-0-	1,868	-0-	400	8,703	-0-	250	1,100	12,496	19	51,494	51,513	64,009	62,757
Transportation providers	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	316,104	-0-	316,104	-0-	-0-	-0-	316,104	406,402
Other	941	1,711	1,910	3,521	-0-	28	2,393	232	267	(2,743)	8,260	62,920	67,399	130,319	138,579	184,965
Depreciation	30,486	48,067	78,523	192,110	704	542	121,397	3,262	133,471	218,559	827,121	4,863	217,840	222,703	1,049,824	1,088,487
Total expenses by function	2,320,901	5,535,871	3,362,730	3,303,487	1,359,867	529,692	2,382,583	457,532	2,338,216	606,165	22,197,044	247,534	3,267,695	3,515,229	25,712,273	27,362,729
Less expenses included in revenues on the consolidated statement of activities:																
Cost of goods sold	-0-	-0-	-0-	-0-	-0-	-0-	(1,184,553)	-0-	-0-	-0-	(1,184,553)	-0-	-0-	-0-	(1,184,553)	(1,120,964)
Total expenses	\$ 2,320,901	\$ 5,535,871	\$ 3,362,730	\$ 3,303,487	\$ 1,359,867	\$ 529,692	\$ 1,198,030	\$ 457,532	\$ 2,338,216	\$ 606,165	\$ 21,012,491	\$ 247,534	\$ 3,267,695	\$ 3,515,229	\$ 24,527,720	\$ 26,241,765
2020 totals	\$ 2,798,196	\$ 5,926,959	\$ 3,474,851	\$ 3,742,260	\$ 1,366,172	\$ 566,547	\$ 1,569,679	\$ 533,707	\$ 2,326,506	\$ 574,228	\$ 22,879,105	\$ 284,895	\$ 3,077,765	\$ 3,362,660	\$ 26,241,765	

See accompanying notes to the consolidated financial statements.

DSI DIVERSIFIED SOLUTIONS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020

	Program Services											Support Services			Total
	Family Support	Supported Living	Residential	County Services	Child Services	Nursing & Residential Support	Business and Industry	Employment	Rural Transportation	Housing Projects	Total Program Services	Marketing and Capital Development	Management and Administrative	Total Support Services	
Personnel expense	\$ 2,620,399	\$ 5,530,673	\$ 2,323,502	\$ 2,916,216	\$ 285,566	\$ 504,550	\$ 1,978,852	\$ 489,071	\$ 1,316,844	\$ 148,266	\$ 18,113,939	\$ 184,230	\$ 2,028,918	\$ 2,213,148	\$ 20,327,087
Professional services	485	5,050	98,319	12,468	1,056,558	7,555	10,267	426	24,327	96,385	1,311,840	6,987	407,188	414,175	1,726,015
Supplies	3,829	15,031	197,689	88,701	3,219	12,369	144,073	2,703	14,690	7,508	489,812	13,673	66,839	80,512	570,324
Telephone/internet	10,634	128,137	45,433	39,747	4,921	9,138	23,908	13,107	24,552	5,901	305,478	4,116	37,700	41,816	347,294
Postage & shipping	53.00	121	130	1,605	38	-0-	566	32	722	94	3,361	20	11,114	11,134	14,495
Occupancy	7,963	36,171	274,587	198,192	11,153	6,119	246,648	7,216	32,841	119,048	939,938	2,869	117,819	120,688	1,060,626
Travel	104,508	92,281	65,633	236,118	3,439	22,781	22,955	12,720	327,276	1,582	889,293	2,839	59,568	62,407	951,700
Conference & meetings	4,832	19,650	1,576	9,099	336	2,352	2,105	4,203	1,529	1,236	46,918	1,784	23,680	25,464	72,382
Client support	5,957	49,591	385,495	17,629	104	-0-	86,010	1,140.00	-0-	120	546,046	2,826	1,323	4,149	550,195
Membership dues	212	123	-0-	1,958	-0-	600	6,401	200	2,250	750	12,494	572	49,691	50,263	62,757
Transportation providers	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	406,402	-0-	406,402	-0-	-0-	-0-	406,402
Other	3,505	4,377	4,403	6,962	255	69	28,890	1,097	5,701	5,242	60,501	59,550	64,914	124,464	184,965
Depreciation	35,819	45,754	78,084	213,565	583	1,014	139,968	1,792	169,372	188,096	874,047	5,429	209,011	214,440	1,088,487
Total expenses by function	2,798,196	5,926,959	3,474,851	3,742,260	1,366,172	566,547	2,690,643	533,707	2,326,506	574,228	24,000,069	284,895	3,077,765	3,362,660	27,362,729
Less expenses included in revenues on the consolidated statement of activities:															
Cost of goods sold	-0-	-0-	-0-	-0-	-0-	-0-	(1,120,964)	-0-	-0-	-0-	(1,120,964)	-0-	-0-	-0-	(1,120,964)
Total expenses	\$ 2,798,196	\$ 5,926,959	\$ 3,474,851	\$ 3,742,260	\$ 1,366,172	\$ 566,547	\$ 1,569,679	\$ 533,707	\$ 2,326,506	\$ 574,228	\$ 22,879,105	\$ 284,895	\$ 3,077,765	\$ 3,362,660	\$ 26,241,765

See accompanying notes to the consolidated financial statements.

DSI DIVERSIFIED SOLUTIONS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating activities		
Change in net assets	\$ 1,765,618	(136,274)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,049,824	1,088,487
Gain on sale of property and equipment	(50,595)	(118,811)
Investment return on investments held by others	(150,236)	(10,687)
Unrealized (gain) loss on investments	35,800	(74,333)
Change in operating assets and liabilities:		
Service receivables	151,588	532,041
Other receivables	(109,321)	(139,335)
Prepaid expenses	10,113	63,126
Inventory and other current assets	30,318	(40,989)
Accrued interest receivable	(133,618)	(126,523)
Accounts payable	4,043	(8,747)
Employee compensation payable	(546,668)	88,741
Benefits payable	41,249	-0-
Other current liabilities	(8,380)	85,459
Other liabilities	(16,452.00)	(16,453)
Refundable advances	422,911	231,860
Net cash flows from operating activities	2,496,194	1,417,562
Investing activities		
Proceeds from sale of property and equipment	92,718	231,267
Purchase of property and equipment	(850,539)	(626,131)
Purchase of investments	(1,071,441)	(46,688)
Net cash flows from investing activities	(1,829,262)	(441,552)
Financing activities		
Payments on long-term debt	(4,550)	(15,920)
Net change in cash and restricted cash	662,382	960,090
Cash and restricted cash		
Beginning of year	3,411,789	2,451,699
End of year	<u>\$ 4,074,171</u>	<u>\$ 3,411,789</u>
Reconciliation of cash and restricted cash on consolidated statements of financial position		
Cash in current assets	\$ 3,915,579	\$ 3,253,204
Deposits and reserves	158,592	158,585
	<u>\$ 4,074,171</u>	<u>\$ 3,411,789</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 1,000	\$ 306

See accompanying notes to consolidated financial statements.

DSI DIVERSIFIED SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

DSI Diversified Solutions, Inc. (the Corporation) was formed on November 1, 2017 and became the sole corporate member of Developmental Services, Inc. (DSI) and Four Rivers Resource Services, Inc. (Four Rivers). The Corporation serves as additional management and oversight of the operations of DSI and Four Rivers.

Principles of Consolidation

The Corporation's consolidated financial statements include the accounts of DSI and its wholly owned affiliates and Four Rivers and its wholly owned affiliates. All significant intercompany balances and transactions have been eliminated.

DSI and Affiliates

DSI was incorporated and commenced operations as a not-for-profit corporation in 1960 under the laws of the State of Indiana. DSI is organized exclusively for charitable and educational purposes. Its purpose is to provide developmentally disabled individuals with training opportunities, supervised housing, transportation, education, and recreation. DSI provides its services in the Indiana counties of Bartholomew, Brown, Decatur, Jackson, Jefferson, Jennings, Switzerland, as well as other surrounding counties. DSI also conducts industrial activities including various sheltered workshop projects to provide job opportunities to its clients.

DSI's wholly owned affiliates include Tree City Estates, G.P., Inc. (TCE), Tree City Village, G.P., LLC (TCV), and Broadway Flats G.P., LLC (BF). TCE is the 0.01% general partner of Tree City Estates, L.P. TCV is the 0.01% general partner of Tree City Village, L.P. BF is the .01% general partner of Broadway Flats, L.P. Tree City Estates, L.P. Tree City Village, L.P. and Broadway Flats, L.P. (collectively referred to as "the L.P.s") were formed to construct and operate housing unit complexes to provide rental housing for low-income individuals. The activities and balances of TCE, TCV and BF, while insignificant to DSI, are included in DSI's financial activity. The limited partners, with 99.99% ownership in each L.P., maintain substantive participation rights in the L.P.s. Therefore, the activities of the L.P.s are not consolidated with TCE, TCV, and BF, and ultimately not consolidated with DSI.

Four Rivers and Affiliates

Four Rivers was incorporated in February 1986 with the primary purpose to enable individuals with disabilities and other challenges to attain self-dependence and natural interdependence, inclusion in normal life experiences and opportunities, and general life enrichment, by working in partnership with them, their families and the community.

Four Rivers' wholly owned affiliates include Four Rivers Liberty Place, LLC (Liberty Place, LLC) and Four Rivers Covered Bridge, LLC (Covered Bridge, LLC). Liberty Place, LLC was formed in July 2009 with the purpose of constructing, owning and operating residential housing in Linton, Indiana. Covered Bridge, LLC was formed in September 2010 with the purpose of constructing, owning and operating residential housing in Washington, Indiana.

DSI DIVERSIFIED SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Other Four Rivers' wholly owned affiliates include Four Rivers Housing Development Corporation (Development Corporation). Development Corporation is the general partner in Covered Bridge Apartments, L.P. and Independence Place, L.P. (collectively referred to as the L.P.s) which provide low-income housing in Washington, Indiana and surrounding areas. Development Corporation's interest is .01% in each L.P. The activities and balances of Development Corporation, while insignificant to Four Rivers, are included in Four Rivers' financial activity. The limited partners, with 99.99% ownership in each L.P., maintain substantive participation rights in the L.P.s. Therefore, the activities of the L.P.s are not consolidated with Development Corporation and ultimately not consolidated with Four Rivers.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

Preparation of the consolidated financial statements in accordance 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 the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Cash

The Corporation maintains cash in bank deposits accounts, which, at times may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Contract Receivables

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

The allowances offset against contract receivables represent management's estimate of the expected losses to be realized, and are based on historical experience, current economic conditions, and other relevant factors. All contract receivables are expected to be collected within one year. Allowances against contract receivables of approximately \$36,000 and \$48,000 were provided as of June 30, 2021 and 2020. Contract receivables and the associated allowances were \$2,883,000 and \$97,000, 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 State of Indiana Bureau of Developmental Disabilities Services to support community services. Other receivables are classified as current as they are expected to be collected during the next fiscal year.

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Inventory

Inventory consists of various raw materials, office supplies, and maintenance supplies, and is recorded at lower of cost or net realizable value.

Property, Equipment and Depreciation

Property and equipment are recorded at cost and include expenditures which substantially increase the useful lives of existing assets. Costs of ordinary maintenance and repairs are expensed as incurred. Property and equipment are depreciated over their estimated useful lives ranging from five to forty years using the straight line method.

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 donated assets are to be used. The gifts 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.

Investments Held by Others

The Board of Directors has designated certain amounts for future expenditures and investments in operations and placed it in custodial funds with various community foundations, in the counties of Brown, Decatur, Jackson, Jennings, Jefferson, Switzerland, as well as The Heritage Fund of Bartholomew County.

These investments are measured at fair value in the consolidated statements of financial position. Investment income or loss, including realized and unrealized gains and losses on investments, interest, dividends, and investment expenses is included in investment return the consolidated statements of activities and changes in net assets. The funds are invested in accordance with the respective community foundations' investment and spending policies (which include return objectives, risk tolerances and strategies).

Investments

Investments consist of cash and cash equivalents. Investments also include certificates of deposit, common stocks and mutual funds all stated at fair value. Investment income is accrued as earned. The Corporation considers all interest and dividends, realized and unrealized gains and losses on investments to be components of investment return.

Deposits and Reserves

Deposits and reserves are comprised of cash for security deposits and operating reserve accounts related to the residential housing.

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Accrued Interest Receivable

The accrued interest receivable balance represents unpaid interest on notes receivable. The amount the Corporation does not expect to collect within a year is classified as a long-term asset.

Notes Receivable

The Corporation passes through certain government award money to various entities and established notes receivable for these funds. The notes receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based upon management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realized losses on these balances outstanding at year-end are not significant.

Other Long-Term Liabilities

Other long-term liabilities include amounts due to Daviess-Martin Rehabilitation Services, Inc. and the long-term portion of developer fees payable. The liabilities are either released as services are provided and performance obligations are satisfied or amounts are repaid by the Corporation.

Net Assets

The consolidated financial statements have been prepared in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This topic requires, among other things, that 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 classifications are as follows:

- Net assets without donor restrictions - undesignated are used to fund current operations of the Corporation.
- Net assets without donor restrictions - board designated represent certain amounts to be placed in custodial funds at various community foundations.
- Net assets with donor restrictions represent the net assets of the Corporation resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Corporation. Net assets with donor restrictions consist of grants related to low-income housing that are restricted for time periods of 15-20 years. As of June 30, 2021 and 2020, net assets with donor restrictions were approximately \$703,000 and \$758,000, respectively, for low-income housing. Net assets released during 2021 and 2020 were \$54,000 related to the satisfaction of donor stipulations.

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Service Revenue

The Corporation contracts with various State of Indiana (the State) agencies to provide a wide variety of services to persons with disabilities, including residential services, transportation, infant/toddler and vocational rehabilitation services. The Corporation vouchers the State agencies based on current activity and the original amount of the contract. Services rendered to Medicaid waiver program beneficiaries are primarily paid utilizing a determined daily consumer rate. These services are paid at prospectively determined rates. The Corporation recognizes the amount of revenue it expects to collect for the transfer of services to clients over time in the period in which its performance obligations are satisfied.

Service revenues for transportation, infant/toddler and vocational rehabilitation and other programs are recognized over time as promised services are delivered to clients, in an amount that reflects the consideration the Corporation expects to be entitled to in exchange for those services. Service revenue from contracts with various third-party payers are recognized when services are rendered by the Corporation. 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 the Corporation is no longer required to provide services.

The Corporation recognizes revenue from providing work contract services to various local employers and other services to its clients. Revenues are recognized over time as promised services are delivered to the employers and clients, in an amount that reflects the consideration the Corporation expects to be entitled to in exchange for those services. Revenue is recognized when services are rendered by the Corporation. 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 the Corporation is no longer required to provide services.

The Corporation submits annual cost reports to determine its Medicaid rates. These reports are subject to periodic audit by the State. Based upon reports previously submitted and unaudited periods, the Corporation has determined that any receivable or payable related to settlements for unaudited periods would not be significant to the consolidated financial statements. Therefore, no receivable or liability has been recorded for unsettled cost reports as of June 30, 2021 and 2020.

Laws and regulations governing these programs are complex and subject to interpretation. The Corporation 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.

For 2021 and 2020, approximately 65% and 71%, respectively, of total service revenue and other support was derived from the Indiana Medicaid program. The Corporation derives a significant portion of its revenue from third-party payors and federal and state funding programs. The receipt of future revenues by the Corporation is subject to among other factors, federal and state policies affecting the industry, economic conditions that may include an inability to control expenses in periods of inflation, increased competition, market pressures on rates and other conditions which are impossible to predict.

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Public Support

A portion of the Corporation's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses including social services block grants and grant agreements with The Arc, county commissioners and United Way. Receipt of these funds is subject to the fulfillment of certain obligations by the Corporation 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 are reported as refundable advances in the statements of financial position. The Corporation recorded refundable advances of approximately \$655,000 and \$232,000 as of June 30, 2021 and 2020, respectively. These amounts are included under long-term liabilities in the consolidated statements of financial position as the refundable advance relates to property and equipment restricted to use with right of return for periods ranging from 15 to 20 years.

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, the Corporation deems the contingency remote based on the provisions of the grants or contracts.

The Corporation recognizes all unconditional contributions as income in the period received. The Corporation reports gifts of cash and other assets as contributions with donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. Net assets with donor restrictions of a perpetual duration are those that the donor has requested to be held in perpetuity. Net assets with donor restrictions of a specified purpose or time are those that the donor has requested to be held for certain expenditures or period of time. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the net assets are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities and changes in net assets as net assets released from donor restrictions. Absent any donor restrictions, gifts of cash and other assets are recorded as contributions of net assets without donor restrictions. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are included in support without donor restrictions. Conditional support is not recognized as revenue until becoming unconditional, that is, until all conditions on which the support depends are substantially met. The Corporation evaluates whether support is unconditional or conditional based on the absence or presence of barriers and any right of return provisions.

Materials, property and 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. A substantial number of volunteers have donated significant amounts of their time to various fund-raising events and contacts with individuals receiving services at the Corporation. The value of donated volunteer services is not reflected in the accompanying consolidated financial statements unless the volunteer services require specialized skills and the services would have been purchased had they not been donated.

DSI DIVERSIFIED SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Functional Allocation of Expenses

The Corporation provides a full range of services to individuals with disabilities. The costs of providing various programs and support activities have been summarized on functional basis in the consolidated statements of functional expenses. Certain costs have been allocated among program services, marketing and capital development (fundraising), and management and general based on actual direct expenditures and cost allocations based on estimates of time spent by the Corporation's personnel (primarily salaries, wages and benefits included in personnel expense) and space utilized by these functional expense categories such as telephone/internet, occupancy, and depreciation. Allocations have been applied to all functional categories. Although the methods used were appropriate, alternative methods may provide different results.

Income Taxes

The Corporation, DSI, and Four Rivers (collectively referred to as "the Entities") are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC). As such, the Entities are generally exempt from income taxes. However, the Entities 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 by the Entities and recognize a tax liability if they 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 the Entities, and has concluded that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Entities are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Entities 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).

TCE and Development Corporation elected "C" corporation status. Income tax expense and liabilities are recorded at the amounts currently payable. TCE and Development Corporation 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. TCE and Development Corporation have filed their federal and state income tax returns for years through December 31, 2020.

TCV, BF, Liberty Place, LLC and Covered Bridge, LLC are organized as limited liability companies, whereby net taxable income is taxed directly to the Corporation and not the individual LLC. TCV and BF have filed their federal and state income tax returns for years through December 31, 2020. Four Rivers is the sole member of Liberty Place, LLC and Covered Bridge, LLC and are treated as disregarded entities under the appropriate code of the IRC. As such, the financial activity of Liberty Place, LLC and Covered Bridge, LLC is included in Four Rivers' Federal Form 990 Return of Organization Exempt from Income Tax.

DSI DIVERSIFIED SOLUTIONS, INC.

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Contingencies

The Corporation can be subject to various legal proceedings and litigation arising in the ordinary course of business. Management does not believe the outcome of any such legal proceedings or litigation as of June 30, 2021 will be significant to the consolidated financial statements.

Reclassifications

Certain 2020 balances were reclassified to conform to the current year presentation. The reclassifications have no effect on previously reported net assets or change in net assets.

Going Concern Evaluation

Management evaluated whether there were conditions or events that raised substantial doubt about the Corporation's 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

The Corporation evaluated events or transactions occurring subsequent to the consolidated statement of 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 is December 17, 2021.

Upcoming Accounting Standards Updates

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. As currently proposed, the Corporation is not required to adopt this standard until 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 standard 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 present contributed nonfinancial assets as a separate line item in the consolidated statement of activities and changes in net assets, apart from contributions of cash or other financial assets. In addition, there are expanded disclosure requirements. Cardinal will be required to adopt this new standard in its year ending June 30, 2022.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. CONTRACT RECEIVABLES

As of June 30, 2021 and 2020, contract receivables consisted of the following:

	2021	2020
Medicaid services	\$ 1,015,729	\$ 1,059,435
Transportation	613,588	399,359
Residential	496,613	390,915
Work contracts	302,040	338,868
First Steps	662	96,452
Other	20,481	327,851
	2,449,113	2,612,880
Allowance for uncollectible balances	(35,571)	(47,750)
	<u>\$ 2,413,542</u>	<u>\$ 2,565,130</u>

3. PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2021 and 2020:

	2021	2020
Land and improvements	\$ 2,537,656	\$ 2,501,914
Buildings and improvements	15,164,021	14,776,135
Furniture and equipment	2,461,905	2,400,146
Leasehold improvements	529,438	527,887
Vehicles	5,476,213	5,709,400
	26,169,233	25,915,482
Accumulated depreciation	(15,940,873)	(15,445,714)
	<u>\$ 10,228,360</u>	<u>\$ 10,469,768</u>

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

4. INVESTMENTS HELD BY OTHERS AND INVESTMENTS

The Corporation has transferred assets to various community foundations and retained a beneficial interest in those assets. The Corporation is to receive the interest annually, but none of the principal. The Corporation has granted variance power to the community foundations to carry out the purposes of the designated endowments created by the initial transfer.

Other investments held by the Corporation at the end of the year include certificates of deposit, common stocks and mutual funds, which are recorded at fair value and cash

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5. 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 the Corporation 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.

The asset'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 as of June 30, 2021 and 2020.

- *Investments held by others*: Valued at fair value as reported by the community foundations, which represents the Corporation's pro-rata interest in the community foundations' investment pools, substantially all of which are valued on a mark-to-market basis.
- *Certificates of deposit*: Valued using pricing models maximizing the use of observable inputs for securities of comparable maturity, quality and type.
- *Common stocks*: Valued based on the closing price reported on the active market which the individual security is traded.
- *Mutual funds*: Valued based on the quoted net asset value (NAV) of the shares held by the Corporation at year end. The NAV is based on the value of the underlying assets owned by the fund less the liabilities and then divided by the number of shares outstanding. The NAV is quoted on an active market.

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Assets 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 held by others	\$ 644,706	\$ -0-	\$ -0-	\$ 644,706
Investments				
Certificates of deposit	\$ 1,292,605	\$ -0-	\$ 1,292,605	\$ -0-
Common stocks				
Finance	300,353	300,353	-0-	-0-
Healthcare	266,134	266,134	-0-	-0-
Services	337,293	337,293	-0-	-0-
Technology	254,782	254,782	-0-	-0-
Consumer	145,658	145,658	-0-	-0-
Other	270,127	270,127	-0-	-0-
Total common stocks	1,574,347	1,574,347	-0-	-0-
Mutual funds				
Intermediate core plus bond	329,630	329,630	-0-	-0-
Other fixed income	179,444	179,444	-0-	-0-
	509,074	509,074	-0-	-0-
	3,376,026	\$ 2,083,421	\$ 1,292,605	\$ -0-
Cash	306,949			
Total investments	\$ 3,682,975			
June 30, 2020				
	Total	Level 1	Level 2	Level 3
Assets				
Investments held by others	\$ 504,870	\$ -0-	\$ -0-	\$ 504,870
Investments				
Certificates of deposit	\$ 2,075,717	\$ -0-	\$ 2,075,717	\$ -0-
Cash	561,217			
Total investments	\$ 2,636,934			

The progression of level 3 assets for 2021 and 2020 is as follows:

	2021	2020
Balance, beginning of year	\$ 504,870	\$ 503,274
Investment return, net	150,236	10,687
Grants paid	(2,417)	(2,495)
Administrative fees	(7,983)	(6,596)
Balance, end of year	\$ 644,706	\$ 504,870

DSI DIVERSIFIED SOLUTIONS, INC.

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6. NOTES RECEIVABLE FROM RELATED ENTITIES

Included in notes receivable from related entities are loans received by DSI from the Federal Home Loan Bank Affordable Housing Program (AHP) for the purpose of loaning these funds to Tree City Estates, L.P. and Tree City Village L.P. for construction of low income housing projects. Four Rivers received grants from AHP and the Indiana Housing and Community Development Authority – Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME) for the purpose of loaning these funds to Covered Bridge Apartments, L.P. and Independence Place, L.P. (collectively referred to as the L.P.s) to cover costs associated with the construction of the respective apartment projects. Four Rivers entered into loan agreements to lend these funds to the L.P.s for set terms with established interest rates.

Interest for these loans (ranging from 1% up to 5%) is accrued with payments of accrued interest and the balloon payment of the entire principal balance due at the end of the established term of the loans. The loans are due 30 years from issue which range from 2037 through 2046. Accrued interest receivable was approximately \$1,024,000 and \$890,000 as of June 30, 2021 and 2020, respectively.

The Corporation assesses the credit quality of these notes receivable through periodic review of financial information including the annual audited financial statements, interim financial statements, and federal tax filings of the individual L.P.s. Furthermore, routine review of interim financial activity including cash flow sources and uses for the L.P.s is conducted by the Corporation. As of June 30, 2021 and 2020, the Corporation determined there was no impairment of these notes receivable.

As of June 30, 2021 and 2020, notes receivable from related entities consisted of the following:

	Tree City Estates, L.P.	Tree City Villages, L.P.	Covered Bridge Apartments	Independence Place	Total
AHP	\$ 400,000	\$ 500,000	\$ 750,000	\$ 525,000	\$ 2,175,000
CDBG	-0-	-0-	478,000	-0-	478,000
HOME	-0-	-0-	-0-	400,000	400,000
Other	354,271	-0-	-0-	-0-	354,271
	<u>\$ 754,271</u>	<u>\$ 500,000</u>	<u>\$ 1,228,000</u>	<u>\$ 925,000</u>	<u>\$ 3,407,271</u>

7. EMPLOYEE COMPENSATION PAYABLE

Employee compensation payable consists of the following as of June 30, 2021 and 2020:

	2021	2020
Accrued salaries and wages	\$ 200,812	\$ 733,563
Accrued paid time off	523,897	537,814
	<u>\$ 724,709</u>	<u>\$ 1,271,377</u>

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8. LINE OF CREDIT

The Corporation has a \$1,500,000 revolving line of credit with First Financial Bank which expires in June 2022. Interest varies at the prime rate less 0.50 percent with a minimum rate of 2.750% percent (2.750% as of June 30, 2021) and is collateralized by a security interest in the Corporation's assets. The line of credit is subject to certain affirmative and negative covenants. There were no borrowings outstanding under this line of credit as of June 30, 2021 and 2020.

9. OTHER LONG-TERM LIABILITIES

In connection with the formation of Four Rivers, Daviess-Martin Rehabilitation Services, Inc. (DMRS) advanced approximately \$141,000 to provide Four Rivers with initial working capital. These funds are to be returned to DMRS in the event of the dissolution of Four Rivers. From 2005 through 2008, DMRS forgave \$89,000 of the original advance to permit Four Rivers to pay off certain long-term debt. Accordingly, the remaining balance of \$52,000 has been recorded in other long-term liabilities as of June 30, 2021 and 2020.

Also included in other long-term liabilities is developer fees payable held by Four Rivers that will be paid to Milestone Ventures, Inc. (Milestone) over a period of 10 years ending in 2022. The developer fees are earned by Milestone for its assistance in the development of residential housing projects for Covered Bridge Apartments, L.P. The balance of the long-term liability was \$-0- and approximately \$16,000 as of June 30, 2021 and 2020, respectively. Additionally, the current portion of developer fees payable was \$16,000 as of both June 30, 2021 and 2020, and has been included in other current liabilities on the consolidated statements of financial position.

10. NOTES PAYABLE

Notes payable consist of the following at June 30, 2021 and 2020:

	2021	2020
Note payable to Federal Home Loan Bank Affordable Housing Program for \$400,000. Due in full in 2039; noninterest bearing.	\$ 400,000	\$ 400,000
Note payable to Federal Home Loan Bank Affordable Housing Program for \$500,000. Due in full in 2046; noninterest bearing.	500,000	500,000
Adjustable rate notes payable with interest up to 5.47% due through April 2029 with monthly principal and interest payments up to \$325. Collateralized by properties with a net book value of approximately \$610,000 and \$670,000 as of June 30, 2021 and 2020, respectively, and the assignment of all rents.	24,827	29,377
	924,827	929,377
Current portion	(2,610)	(6,756)
	<u>\$ 922,217</u>	<u>\$ 922,621</u>

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The AHP notes are secured by property with net book values of approximately \$8,467,000 and \$8,831,000 as of June 30, 2021 and 2020, respectively. The AHP notes are expected to be forgiven as long as the property is used for the stated purpose. However, the Corporation shall repay the portion of the notes that as a result of the Corporation's actions or omissions, was not used in compliance with the terms of the application or the requirements of the AHP regulations. However, such non-compliance may be cured by the Corporation within a reasonable period of time or the circumstances of such non-compliance are eliminated through a modification of the application, as approved in writing by the Federal Home Loan Bank of Indianapolis, pursuant to AHP regulations. Maturities of long-term debt are as follows:

Year Ending June 30,	
2022	\$ 2,610
2023	2,754
2024	2,907
2025	3,071
2026	3,244
Thereafter	910,241
	<u>\$ 924,827</u>

11. RENTAL INCOME

The Corporation leases properties to various individuals, including clients of the Corporation, under short-term leases, usually one year in length. The cost of the rental properties was approximately \$6,163,000 as of both June 30, 2021 and 2020 with accumulated depreciation of \$1,721,000 and \$1,516,000 as of June 30, 2021 and 2020, respectively. Rental income was \$291,000 and \$276,000 in 2021 and 2020, respectively, related to these properties. Other miscellaneous rental income was \$66,000 and \$69,000 in 2021 and 2020, respectively. The Corporation expects total rental income to approximate \$360,000 for 2022.

12. OPERATING LEASES

The Corporation has operating leases for various facilities including residences to provide supervised housing for clients. The Corporation also maintains operating leases for office equipment and vehicles. The Corporation had rental expense related to these leases for 2021 of approximately \$234,000. The leases expire at various times through 2023. Future minimum lease payments are as follows:

Year Ending June 30,	
2022	\$ 38,000
2023	4,000
	<u>\$ 42,000</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

13. SELF-FUNDED INSURANCE PLANS

The Corporation utilizes a self-funded medical insurance program for its employees. The Corporation is liable for the first \$100,000 of claims per incident under the plan. The Corporation carries stop-loss insurance in order to limit its liability. The aggregate stop loss amount was approximately \$3,798,000 as of June 30, 2021. Total expense incurred during 2021 and 2020 was \$2,907,000 and \$2,972,000, respectively. The Corporation accrued a liability for estimated claims payable of \$349,000 and \$307,000 as of June 30, 2021 and 2020, respectively.

14. SPONSOR GUARANTY

DSI, as sponsor of the Tree City Estates, L.P. project to construct a 64-unit housing complex in Greensburg, Indiana and sole shareholder of the general partner, has executed a guaranty agreement under which it guarantees the performance of the general partner to advance funds to the extent needed to make operating deficit contributions. The advances are not to exceed \$142,000. In addition, DSI guarantees to advance funds to the extent needed to make all payments to the operating and replacement reserves, to return limited partner contributions due to tax credit shortfalls, to purchase the limited partner's interest in the partnership, and to make the payment by the general partner of a capital contribution sufficient to satisfy any remaining unpaid portion of the development fee in the event the entire development fee has not been paid within 15 years of completion of the project which is 2025. No funds were advanced during 2021 and 2020.

15. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2021, the Corporation had approximately \$6,476,000 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 \$3,916,000, contract receivables of \$2,414,000 and other receivables of \$146,000. 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 and other receivables are subject to implied time restrictions, but are expected to be collected within one year. The Corporation has a goal to maintain financial assets to meet 90 days of normal operating expenses, which are, on average, \$6,048,000. The Corporation's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Corporation also has other liquidity resources available including its line of credit of \$1,500,000, if needed.

As of June 30, 2020, the Corporation had approximately \$5,855,000 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 \$3,253,000, contract receivables of \$2,565,000 and other receivables of \$37,000.

DSI DIVERSIFIED SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

16. 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 the Corporation's 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 the Corporation 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 Fund (PRF) grants authorized under the Coronavirus Aids, Relief, and Economic Security (CARES) Act were distributed to providers impacted by the outbreak of the COVID-19 pandemic. The Corporation received approximately \$807,000 of PRF from the CARES Act during 2021. PRF amounts are recognized to the extent the provider meets the terms and conditions of the PRF grant. The Corporation recognized PRF of \$807,000 as COVID-19 grants in service revenue and other support in the consolidated statements of activities and changes in net assets during 2021. No PRF amounts were deferred as refundable advances as of June 30, 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 as they are emerging and uncertain at the time the consolidated financial statements were available to be issued. There can be no assurance that regulatory authorities will not challenge the Corporation'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 the Corporation's consolidated financial position.

In 2021, the Corporation also received COVID-19 federal grant funds of approximately \$1,015,000 passed through the State of Indiana Family and Social Services Administration (FSSA) for sustainability of its adult and residential services programs. FSSA considers the Corporation a beneficiary for these grant funds rather than sub-recipient. As a beneficiary, these funds are excluded from the Corporation's 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*.

17. SUBSEQUENT EVENT

Effective July 1, 2021, the Corporation became the sole corporate member of Bona Vista Programs, Inc. (Bona Vista) which provides adult, residential, children and community services to its clients located in Kokomo, Indiana and the surrounding communities. The acquisition of Bona Vista will allow the Corporation to expand its service area to reach more clients in a more cost efficient manner.

The carrying values of Bona Vista's assets and liabilities on July 1, 2021 were approximately \$19,071,000 and \$4,076,000, respectively. The Corporation will account for the excess assets acquired over liabilities assumed based on the fair value of the assets and liabilities rather than the carrying value. Information on the fair value of Bona Vista's assets and liabilities was not available at the time the Corporation's consolidated financial statements were available to be issued.

DSI DIVERSIFIED SOLUTIONS, INC.

**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Pass-through / Program Title	Grant ID #	CFDA #	Passed Through to Subrecipients	Federal Expenditures
Major program				
Department of Transportation				
Passed through Indiana Department of Transportation and Southern Indiana Development Commission - Formula Grants for Rural Areas (5311)	A249-20-G190032	20.509	\$ -0-	\$ 2,047,955
Non-major programs				
Department of Transportation				
Passed through Indiana Department of Transportation and Southern Indiana Development Commission - Enhanced Mobility of Seniors and Individuals with Disabilities	A249-21-G200121	20.513	-0-	105,926
Department of Housing and Urban Development				
Passed through the Indiana Housing and Community Development Authority				
Home Investment Partnerships Program	CO-016-003	14.239	-0-	284,140
Home Investment Partnerships Program	CO-016-004	14.239	-0-	42,641
Total for 14.239			-0-	326,781
Total non-major programs			-0-	432,707
Total federal expenditures			\$ -0-	\$ 2,480,662

See report of independent auditors on pages 1 and 2.

See notes to consolidated schedule of expenditures of federal awards.

DSI DIVERSIFIED SOLUTIONS, INC.

NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) for 2021 includes the federal grant activity of DSI Diversified Solutions, Inc. (the Corporation) and is presented on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements* for Federal Awards (the *Uniform Guidance*). The basic consolidated financial statement classifications may include other financial activity for reporting purposes. 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.

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 Corporation has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

3. PROVIDER RELIEF FUNDS

Under terms and conditions of the Provider Relief Funds (PRF) under the Coronavirus Aids, Relief, and Economic Security (CARES) Act, the Corporation 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 rather than when expenditures were incurred.

During 2021, the Corporation received PRF grants of approximately \$807,000 from the CARES Act and recognized this amount as revenue in its 2021 consolidated statement of activities and changes in net assets as the terms and conditions of the PRF grant were satisfied by the Corporation during 2021. However, HHS requires these PRF amounts be reported on the 2022 consolidated SEFA, rather than the 2021 consolidated SEFA based on the timing of receipt of PRF grants by the Corporation.

4. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During 2021, the Corporation did not receive donated personal protective equipment from federal sources.

DSI DIVERSIFIED SOLUTIONS, INC.

**CONSOLIDATED SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
YEAR ENDED JUNE 30, 2021**

State	
Indiana Department of Transportation	
Public Mass Transportation Fund	\$ 463,122
Local	
Bartholomew, Greene, Daviess and Martin Counties	<u>283,562</u>
	<u>\$ 746,684</u>

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state and local awards for 2021 includes the state and local awards activity of DSI Diversified Solutions, Inc. (the Corporation) and is presented on the accrual basis of accounting. The consolidated financial statements classifications may include other financial activity for reporting purposes. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the Corporation's consolidated financial statements.



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
DSI Diversified Solutions, Inc.
Columbus, Indiana

Report on Consolidated Financial Statements

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 DSI Diversified Solutions, Inc. (the Corporation), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's 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 may exist that have not been identified.

Board of Directors
DSI Diversified Solutions, Inc.
Columbus, Indiana

Compliance and Other Matters

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

Blue & Co., LLC

Indianapolis, Indiana
December 17, 2021



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

Board of Directors
DSI Diversified Solutions, Inc.
Columbus, Indiana

Report on Compliance for Each Major Federal Program

We have audited DSI Diversified Solutions, Inc.'s (the Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2021. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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.

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

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

Blue & Co., LLC

Indianapolis, Indiana
December 17, 2021

DSI DIVERSIFIED SOLUTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Section I -- Summary of Auditor's Results

Consolidated Financial Statements

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

Federal Awards

Internal controls over major programs		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Identification of major program		
Department of Transportation - CFDA 20.509		
Dollar threshold used to distinguish between type A and B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> 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