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August 21, 2023

Board of Directors
Joyce Network, Inc.
30 E. Washington St., Suite 301
Shelbyville, IN 46176

We have reviewed the audit report of Joyce Network, Inc., which was opined upon by Pettit & Company, LLC, Independent Public Accountants, for the period October 1, 2020 to September 30, 2022. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Joyce Network, Inc. as of September 30, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on page 24. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 25.

In our opinion, Pettit & Company, LLC prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner



JOYCE NETWORK, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(With Single Audit Section)

JOYCE NETWORK, INC.

TABLE OF CONTENTS

Independent auditor’s report	1-2
Financial statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-13
Single audit section	
Schedule of expenditures of federal awards	15
Notes to schedule of expenditures of federal awards	16
Summary schedule of prior audit findings	17
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	18-19
Report on compliance for each major program and on internal control over compliance required by the Uniform Guidance	20-22
Schedule of findings and questioned costs	23-24
Corrective action plan	25



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Joyce Network, Inc.
Shelbyville, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Joyce Network, Inc., which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Joyce Network, Inc. as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Joyce Network, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Joyce Network, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Joyce Network, Inc.'s internal control. Accordingly, no such opinion is expressed. In circumstances in which the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, omit the following: "but not for the purpose of expressing an opinion on the effectiveness of Joyce Network, Inc.'s internal control. Accordingly, no such opinion is expressed."
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Joyce Network, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 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 audit 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023 on our consideration of Joyce Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Joyce Network, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Joyce Network, Inc.'s internal control over financial reporting and compliance.

Pettit & Company, LLC

Indianapolis, Indiana

June 6, 2023

JOYCE NETWORK, INC.

**STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022 AND 2021**

Assets

	2022	2021
Current assets		
Cash and cash equivalents	\$ 10,511	\$ 22,715
Grants receivable	315,806	300,724
Total current assets	326,317	323,439
Property and equipment		
Furniture and fixtures	10,397	10,397
Total property and equipment	10,397	10,397
Accumulated depreciation	(10,397)	(10,397)
Net property and equipment	-	-
Total assets	\$ 326,317	\$ 323,439

Liabilities and net assets

Current liabilities		
Accounts payable - CACFP	\$ 288,891	\$ 188,991
Loan payable	2,000	2,000
Total liabilities	290,891	190,991
Net assets		
Without donor restrictions	35,426	132,448
Total net assets	35,426	132,448
Total liabilities and net assets	\$ 326,317	\$ 323,439

JOYCE NETWORK, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Support and revenue		
Grant income	\$ 2,595,151	\$ 3,090,287
Other income	11	159
Total support and revenue	<u>2,595,162</u>	<u>3,090,446</u>
Expenses		
Child care food program	2,616,082	2,910,952
Management and general	76,102	55,839
Total expenses	<u>2,692,184</u>	<u>2,966,791</u>
Change in net assets	(97,022)	123,655
Net assets - beginning of year	<u>132,448</u>	<u>8,793</u>
Net assets - end of year	<u><u>\$ 35,426</u></u>	<u><u>\$ 132,448</u></u>

JOYCE NETWORK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Child care food program</u>	<u>Management and general</u>	<u>Total</u>
Salaries	\$ 152,978	\$ 50,992	\$ 203,970
Employee benefits	2,248	749	2,997
Payroll taxes	56,781	18,927	75,708
Program costs - provider payments	2,361,216	-	2,361,216
Rent - office	12,000	-	12,000
Office supplies	1,690	563	2,253
Postage	989	330	1,319
Telephone	1,265	422	1,687
Advertising	644	-	644
Provider training	-	-	-
Professional fees	12,356	4,119	16,475
Vehicle expense	9,733	-	9,733
Insurance	1,738	-	1,738
Printing and reproduction	-	-	-
Other expense	2,444	-	2,444
	<u>2,444</u>	<u>-</u>	<u>2,444</u>
Total expenses	<u><u>\$ 2,616,082</u></u>	<u><u>\$ 76,102</u></u>	<u><u>\$ 2,692,184</u></u>

Notes to financial statements are an integral part of these statements

JOYCE NETWORK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Child care food program	Management and general	Total
Salaries	\$ 102,704	\$ 34,235	\$ 136,939
Employee benefits	2,444	815	3,259
Payroll taxes	43,428	14,476	57,904
Program costs - provider payments	2,709,978	-	2,709,978
Rent - office	17,500	-	17,500
Office supplies	1,280	426	1,706
Postage	1,138	379	1,517
Telephone	720	240	960
Advertising	372	-	372
Provider training	209	-	209
Professional fees	15,805	5,268	21,073
Vehicle expense	3,546	-	3,546
Insurance	1,846	-	1,846
Printing and reproduction	283	-	283
Other expense	9,699	-	9,699
	Total expenses	Total expenses	Total expenses
	\$ 2,910,952	\$ 55,839	\$ 2,966,791

Notes to financial statements are an integral part of these statements

JOYCE NETWORK, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (97,022)	\$ 123,655
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Forgiveness of payroll protection program loan	-	(41,395)
(Increase) decrease in assets		
Grants receivable	(15,082)	(79,785)
Increase (decrease) in liabilities		
Accounts payable - CACFP	99,900	(10,736)
Net cash provided by (used in) operating activities	(12,204)	(8,261)
Cash flows from financing activities		
Proceeds from loan payable	-	2,000
Net cash provided by (used in) financing activities	-	2,000
Net increase in (decrease in) cash and cash equivalents	(12,204)	(6,261)
Cash and cash equivalents, beginning of fiscal year	22,715	28,976
Cash and cash equivalents, end of fiscal year	\$ 10,511	\$ 22,715
Supplemental Schedule of Cash Flow Information		
Interest paid	\$ -	\$ -

JOYCE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Joyce Network, Inc. (the “Organization”) was incorporated as a nonprofit organization under the laws of the State of Indiana. The Organization sponsors family day care providers, who desire to participate in the Child and Adult Care Food Program (“CACFP”) of the United States Department of Agriculture. The CACFP is a major federal program as determined under the criteria of Title 2 U.S. Code of Federal Regulations (“CFR”), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In this capacity, Joyce Network, Inc. passes federal funds received from the Indiana Department of Education to the family day care providers who have served meals to eligible children.

A summary of the Organization's significant accounting policies follows:

Basis of accounting

The accompanying financial statements are presented on the accrual basis of accounting.

Basis of presentation

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of fund transactions and balances into two categories of net assets:

Net assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Cash and cash equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of two checking accounts. The Organization maintains its operating cash balances at a financial institution. The balances, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

Concentration of credit risk

Joyce Network, Inc. receives 100% of its revenue from the Indiana Department of Education (IDOE). Should this funding cease, the Organization would not be able to continue operations. The Organization only operates in the State of Indiana. As of September 30, 2022 and 2021, \$315,806 and \$300,724, respectively, were due from the IDOE.

JOYCE NETWORK, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants receivable

Grants receivable consists of grant revenue expected to be received shortly after year-end. Management considers grants receivable at September 30, 2022 and 2021, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Property and equipment

Property and equipment are recorded at cost and depreciation is computed using the straight line method. Depreciation is computed over the estimated useful lives of each individual asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

The Organization is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Organization's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the years ended September 30, 2022 and 2021.

Revenue and support

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Revenue funded by contracts, which represents revenue from exchange transactions, is recognized as the Organization performs the contracted services. Support funded by grants is recognized when the contributions are made. Grant expenditures are subject to audit and acceptance by the granting agency, and adjustments could be required as a result of such audit. Support and revenue with donor-imposed restrictions which are met in the same reporting period are reported as net assets without donor restrictions in the statement of activities.

Functional allocation of expenses

The costs of providing various programs and services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

JOYCE NETWORK, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization. Our concentrations due to grantor or contributor; concentrated revenue from particular programs, services or fund-raising events; and the market or geographic area in which the Organization conducts operations make it reasonably possible that we are vulnerable to the risk of a near-term severe impact.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Income taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for both of the years ended September 30, 2022 and 2021. If the situation arose in which the Organization would have interest to recognize it, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for either of the years ended September 30, 2022 and 2021.

Advertising

Advertising cost are charged to operations as incurred. There were no advertising costs during the years ended September 30, 2022 and 2021.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Management's review of subsequent events

The Management has performed an analysis of the activities and transactions subsequent to September 30, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2022. Management has performed their analysis of subsequent events through June 6, 2023, the date the financial statements were available to be issued.

JOYCE NETWORK, INC.

NOTE 2 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the entity for the year ending September 30, 2023. The Organization is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

Financial assets available for general expenditure, which is without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,511	\$ 22,715
Grants receivable	<u>315,806</u>	<u>300,724</u>
Total financial assets available within one year	<u>\$ 326,317</u>	<u>\$ 323,439</u>

The Organization manages its liquidity by developing annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due.

NOTE 4 - OPERATING LEASES

On September 1, 2022 the Organization entered into an operating lease to rent office space. The length lease for the office space expires on August 30, 2023. The monthly rent for the office space is \$1,000.

Future minimum lease payments are as follows:

Year Ending September 30,

2023	<u>\$ 8,000</u>
	<u>\$ 8,000</u>

JOYCE NETWORK, INC.

NOTE 5 – PAYCHECK PROTECTION PROGRAM LOAN

In March 2020, Congress established the Paycheck Protection Program (“PPP”) to provide relief to small businesses during the coronavirus pandemic (“COVID-19”) as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The legislation authorized the Treasury to use the Small Business Association’s (“SBA’s”) 7(a) small business lending program to fund forgivable loans that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities during the “Covered Period” defined as the 8-week period starting on the date the PPP loan proceeds are received. Upon meeting certain criteria as specified in the PPP program, the loans are eligible for partial or total forgiveness.

On June 5, 2020, the PPP Flexibility Act of 2020 (the "Act") was signed into law, giving borrowers flexibility with certain criteria under the PPP program including extension of the Covered Period to 24 weeks from 8 weeks, reduction to 60% of the payroll costs requirements (previously 75%), extension of the payment deferral period, extension of the full-time equivalent ("FTE") restoration deadline to December 31, 2020, and safe harbor provisions to remove the FTE reduction in forgiveness under limited circumstances.

In June 2020, the AICPA issued Technical Question and Answer (“TQA”) 3200.18, Borrower Accounting for a Forgivable Loan Received under the Small Business Administration Paycheck Protection Program. The TQA addresses accounting for nongovernmental entities that are not Not-For-Profits, i.e. business entities, that believe the PPP loan represents, in substance, a grant that is expected to be forgiven, it may account for the loan as a deferred income liability. The TQA further states that if such an entity expects to meet the PPP’s eligibility criteria and concludes that the PPP loan represents in substance, a grant that is expected to be forgiven, it may account for such PPP loans in accordance with FASB ASC 958-605 as a conditional contribution.

The Organization applied for and received proceeds of \$41,395 through the PPP program on April 16, 2020, prior to the enactment of the Act. The Organization has determined both through internal calculations and those provided by the AICPA’s forgiveness model, that all criteria for forgiveness based on both the CARES Act and the Act have been met as of September 30, 2020 and that the PPP loan will be 100% forgiven. The grant was forgiven in full on January 29, 2021.

NOTE 6 - LOAN PAYABLE

A director loaned the Organization funds during the years ended September 30, 2022 and 2021. The director was owed \$2,000 at September 30, 2022 and 2021.

SINGLE AUDIT SECTION

JOYCE NETWORK, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass- through Grantor's Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture: <i>Passed Through the State of Indiana Department of Education</i>				
Child and Adult Care Food Program	10.558	1530134	\$ 2,359,981	\$ 2,593,916
Child and Adult Care Food Program COVID	10.558	1530134	<u>1,235</u>	<u>1,235</u>
Total expenditures of federal awards			<u>\$ 2,361,216</u>	<u>\$ 2,595,151</u>

Year Ended September 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass- through Grantor's Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture: <i>Passed Through the State of Indiana Department of Education</i>				
Child and Adult Care Food Program	10.558	1530134	\$ 2,111,445	\$ 2,480,987
Child and Adult Care Food Program COVID	10.558	1530134	<u>141,354</u>	<u>150,321</u>
			2,252,799	2,631,308
CCDF Cluster				
U.S. Department of Health and Human Services:				
<i>Passed through Indiana Department of Education:</i>				
Child Care and Development Block Grant - COVID	93.575	1530134	<u>457,179</u>	<u>458,979</u>
Total expenditures of federal awards			<u>\$ 2,709,978</u>	<u>\$ 3,090,287</u>

JOYCE NETWORK, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards includes the federal grant activity of Joyce Network, Inc. and is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Joyce Network, Inc. has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, Joyce Network, Inc. provided federal awards to subrecipients of \$2,361,216 for 2022 and \$2,709,978 for 2021.

JOYCE NETWORK, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Section II Financial Statement Findings

Finding 2020-001 and 2019-001

Condition: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative responsibilities should be segregated. One person has access to all books and records. Due to the size of the Organization, proper segregation of duties cannot be achieved without the cost exceeding the benefit.

Status: Open.

Section III Federal Award Findings

Finding 2020-001 and 2019-001

Condition: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative responsibilities should be segregated. One person has access to all books and records. Due to the size of the Organization, proper segregation of duties cannot be achieved without the cost exceeding the benefit.

Status: Open.



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Joyce Network, Inc.
Shelbyville, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Joyce Network, Inc., which comprise the statements of financial position as of September 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2023.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2021-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Joyce Network, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Joyce Network, Inc.'s Response to Findings

Joyce Network, Inc.'s response to the findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Joyce Network, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pettit & Company, LLC

Indianapolis, Indiana
June 6, 2023



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Joyce Network, Inc.
Shelbyville, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Joyce Network, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Joyce Network, Inc.'s major federal programs for the years ended September 30, 2022 and 2021. Joyce Network, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Joyce Network, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended September 30, 2022 and 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Joyce Network, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Joyce Network, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Joyce Network, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Joyce Network, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Joyce Network, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Pettit & Company, LLC

Indianapolis, Indiana
June 6, 2023

JOYCE NETWORK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of OMB Uniform Guidance? No

Identification of major programs tested:

<u>Financial Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000.

Auditee qualified as low-risk auditee? No

JOYCE NETWORK, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Section II Financial Statement Findings

Finding 2022-001 and 2021-001

Condition: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative responsibilities should be segregated. One person has access to all books and records. Due to the size of the Organization, proper segregation of duties cannot be achieved without the cost exceeding the benefit.

Criteria: Generally accepted accounting principles, and *Government Auditing Standards* require management of Joyce Network, Inc. to establish policies to safeguard assets.

Cause: Joyce Network, Inc. lacks the size to adequately segregate duties.

Effect: Because of inherent limitations in any internal control system, errors, irregularities or instances of non-compliance may nevertheless occur and not be detected. Also, projection of any evaluation to future periods is subject to risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Recommendation: No recommendation. Due to the size of the Organization, proper segregation of duties cannot be achieved without the cost exceeding the benefit.

Section III Federal Award Findings

None.

**JOYCE NETWORK, INC.
30 E Washington St. Suite 301
Shelbyville, IN 46176
317-392-2223**

CORRECTIVE ACTION PLAN

June 6, 2023

Joyce Network, Inc. submits the following corrective action plan for the years ended September 30, 2022 and 2021.

Independent Public Accounting Firm
Pettit & Company, LLC
3725 E. Southport Rd., Suite A
Indianapolis, IN 46227

Audit Period
Years ended September 30, 2022 and 2021

The findings from the September 30, 2022 and 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Findings 2022-001 and 2021-001

Condition: In order to comply with generally accepted accounting principles (GAAP) and Government Auditing Standards certain accounting and administrative responsibilities should be segregated. One person has access to all books and records. Due to the size of the Organization, proper segregation of duties cannot be achieved without the cost exceeding the benefit.

Corrective Action: there is no recommendation due to the size of our Organization.

If there are any questions regarding this plan, please call the undersigned at 317-392-2223.

Sincerely,



Nicole Skaggs, Executive Director