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302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

April 10, 2024

Board of Directors  
Real Services, Inc.  
St. Joseph County, Indiana

We have reviewed the audit report of Real Services, Inc. which was opined upon by DWC CPAs LLC, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Real Services, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, DWC CPAs LLC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The 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

*CONSOLIDATED FINANCIAL AND COMPLIANCE REPORT*

**REAL SERVICES, INC. AND AFFILIATES**

June 30, 2023 and 2022

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Audit, Accounting, Tax & Advisory

3454 Douglas Rd., Suite 100  
South Bend, IN 46635  
574-233-9366  
AICPA Member

## **INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

To the Board of Directors  
REAL Services, Inc. and Affiliates  
South Bend, Indiana

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of REAL Services, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of REAL Services, Inc. and Affiliates as of June 30, 2023 and 2022, and the changes in its consolidated net assets and its consolidated 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 Consolidated Financial Statements section of our report. We are required to be independent of REAL Services, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of REAL Services, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about REAL Services, Inc. and Affiliates' 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal and nonfederal 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* and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources* issued by the Indiana State Board of Accounts, is presented for purposes of additional analysis and is 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 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidated schedule of expenditures of federal and nonfederal awards 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 February 21, 2024 on our consideration of REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' internal control over financial reporting and compliance.

*DWC CPAs LLC*

South Bend, Indiana  
February 21, 2024

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,277,319	\$ 6,274,829
Grants and contracts receivable	5,615,563	3,459,117
Operating investments	3,484,633	3,249,028
Prepaid expenses	1,075	1,280
Beneficial interests in assets held by Community Foundation	233,134	217,323
Property and equipment	3,161,760	2,709,555
Operating lease right-of-use assets	211,300	-
Cash held in escrow for employee benefits	1,554,563	490,617
Assets held for deferred compensation plan benefits	201,403	231,703
Assets held for others under guardianship	147,543	215,148
Endowment:		
Investments	1,086,761	980,847
Beneficial interests in assets held by Community Foundation	1,048,264	1,036,672
<i>Total assets</i>	<u>\$ 19,023,318</u>	<u>\$ 18,866,119</u>
<b>Liabilities and Net Assets:</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,354,125	\$ 1,109,341
Refundable advances	399,821	248,407
Deferred revenues	54,150	59,040
Accrued employee benefits	1,554,563	1,122,068
Accrued deferred compensation plan benefits	206,583	237,703
Liability for assets held under guardianships	147,543	215,148
Agency funds held for others	104,831	4,381
Operating lease liabilities	211,300	-
<i>Total liabilities</i>	<u>4,032,916</u>	<u>2,996,088</u>
Net Assets:		
Without donor restrictions:		
Undesignated	7,544,433	8,856,728
Designated by Board for endowment	1,310,194	1,232,634
Invested in property and equipment	3,161,760	2,709,555
	<u>12,016,387</u>	<u>12,798,917</u>
With donor restrictions:		
Purpose restricted	2,474,015	2,571,114
Perpetual in nature	500,000	500,000
	<u>2,974,015</u>	<u>3,071,114</u>
<i>Total net assets</i>	<u>14,990,402</u>	<u>15,870,031</u>
<i>Total liabilities and net assets</i>	<u>\$ 19,023,318</u>	<u>\$ 18,866,119</u>

The accompanying notes are an integral part of these consolidated financial statements.

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Revenue, Support, and Gains:</b>						
Government-funded awards:						
Financial assets	\$ 17,027,933	\$ 241,704	\$ 17,269,637	\$ 17,246,152	\$ 316,435	\$ 17,562,587
Nonfinancial assets	14,180,408	-	14,180,408	11,648,047	-	11,648,047
Program service revenue	352,882	91,470	444,352	526,225	66,451	592,676
Contributions:						
Financial assets	392,929	297,755	690,684	769,591	223,033	992,624
Nonfinancial assets	117,835	-	117,835	145,048	-	145,048
Net investment return	552,749	37,431	590,180	(804,404)	36,167	(768,237)
Change in value of beneficial interests	11,592	15,811	27,403	(89,493)	(119,045)	(208,538)
Other	136,379	20,965	157,344	188,028	46,331	234,359
Net assets released from restrictions	802,235	(802,235)	-	562,086	(562,086)	-
<i>Total revenue, support, and gains</i>	<u>33,574,942</u>	<u>(97,099)</u>	<u>33,477,843</u>	<u>30,191,280</u>	<u>7,286</u>	<u>30,198,566</u>
<b>Expenses:</b>						
Program services expenses:						
Alzheimer's and Dementia Services	301,812	-	301,812	152,796	-	152,796
Area Agency on Aging	917,525	-	917,525	838,298	-	838,298
Case Management	7,535,196	-	7,535,196	6,658,505	-	6,658,505
Community Services	767,191	-	767,191	764,736	-	764,736
COVID-19	1,919,467	-	1,919,467	9,431,499	-	9,431,499
Energy Assistance	15,261,776	-	15,261,776	6,440,568	-	6,440,568
Foster Grandparents	147,402	-	147,402	184,290	-	184,290
Guardianship	249,306	-	249,306	228,051	-	228,051
Home Health Care	1,281,980	-	1,281,980	1,354,739	-	1,354,739
Nutrition	2,828,557	-	2,828,557	2,481,330	-	2,481,330
Transportation	332,048	-	332,048	280,757	-	280,757
Weatherization	469,354	-	469,354	294,199	-	294,199
<i>Total program services expenses</i>	<u>32,011,614</u>	<u>-</u>	<u>32,011,614</u>	<u>29,109,768</u>	<u>-</u>	<u>29,109,768</u>
Supporting services expenses:						
Management and general	2,129,189	-	2,129,189	1,546,827	-	1,546,827
Development and fundraising	216,669	-	216,669	185,861	-	185,861
<i>Total supporting services expenses</i>	<u>2,345,858</u>	<u>-</u>	<u>2,345,858</u>	<u>1,732,688</u>	<u>-</u>	<u>1,732,688</u>
<i>Total expenses</i>	<u>34,357,472</u>	<u>-</u>	<u>34,357,472</u>	<u>30,842,456</u>	<u>-</u>	<u>30,842,456</u>
<b>Change in net assets</b>	(782,530)	(97,099)	(879,629)	(651,176)	7,286	(643,890)
Net assets, beginning of year	12,798,917	3,071,114	15,870,031	13,450,093	3,063,828	16,513,921
<i>Net assets, end of year</i>	<u>\$ 12,016,387</u>	<u>\$ 2,974,015</u>	<u>\$ 14,990,402</u>	<u>\$ 12,798,917</u>	<u>\$ 3,071,114</u>	<u>\$ 15,870,031</u>

The accompanying notes are an integral part of these consolidated financial statements.

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2023

	Alzheimer's and Dementia Services	Area Agency on Aging	Case Management	Community Services	COVID-19	Energy Assistance	Foster Grandparents	Guardian- ship	Home Health Care	Nutrition	Transpor- tation	Weather- ization	Management and General	Development and Fundraising	Totals
<b>Personnel:</b>															
Wages	\$ 104,193	\$ 543,832	\$ 5,065,126	\$ 358,462	\$ 270,463	\$ 336,860	\$ 50,085	\$ 137,897	\$ -	\$ 1,103,516	\$ 187,413	\$ 186,730	\$ 1,337,969	\$ 75,556	\$ 9,758,102
Retirement	4,306	16,435	181,431	19,771	6,653	11,459	1,389	6,920	-	32,511	6,635	7,010	70,076	3,782	368,378
Other benefits	21,215	64,068	1,125,525	80,028	37,962	25,278	3,023	58,719	-	182,869	11,403	28,675	190,466	27,983	1,857,214
Payroll taxes	7,989	40,751	376,251	26,594	19,576	26,526	3,955	9,505	-	85,007	14,883	14,102	76,122	5,454	706,715
	<u>137,703</u>	<u>665,086</u>	<u>6,748,333</u>	<u>484,855</u>	<u>334,654</u>	<u>400,123</u>	<u>58,452</u>	<u>213,041</u>	<u>-</u>	<u>1,403,903</u>	<u>220,334</u>	<u>236,517</u>	<u>1,674,633</u>	<u>112,775</u>	<u>12,690,409</u>
<b>Assistance to</b>															
individuals	8,121	56,146	36,695	170,620	1,222,201	14,548,634	56,688	628	1,024,511	39,093	632	189,288	-	-	17,353,257
Occupancy	43,132	25,281	283,499	28,562	8,646	184,380	1,624	11,495	-	186,066	5,568	13,807	50,377	20,304	862,741
Contract services	-	-	-	-	-	-	-	-	-	-	-	-	181,833	3,720	185,553
IT services	7,235	54,507	151,622	42,364	106,062	19,098	5,901	2,350	-	26,837	4,588	391	53,193	32,306	506,454
Food	436	1,075	1,692	1,440	112,783	(12)	2,483	33	257,429	810,061	(1)	-	4,995	5,437	1,197,851
Program supplies	31,360	6,535	5,585	2,160	8,249	24	5	1,546	-	128,277	102	139	2,555	7,283	193,820
Office supplies	1,331	1,280	24,596	3,919	6,425	24,402	1,252	2,724	40	11,083	1,322	1,297	13,193	2,222	95,086
Duplicating	411	549	14,189	1,631	200	42	852	482	-	4,786	3,621	1,254	2,202	2,386	32,605
Recognition	280	1,912	2,292	378	4	4,728	1,091	72	-	2,309	86	-	2,151	207	15,510
Communications	3,527	1,536	15,907	116	3,559	635	1,580	1,185	-	20,328	5,356	1,246	7,101	7	62,083
Postage	2,939	1,687	15,929	1,010	408	14,192	690	1,006	-	4,635	609	1,259	22,988	6,481	73,833
Insurance	746	6,462	47,422	6,116	2,520	30,307	829	1,029	-	16,340	1,204	7,349	7,350	594	128,268
Printing and advertising	46,959	15,090	14,452	2,330	87,558	28,036	980	2,340	-	9,831	564	1,383	2,511	8,160	220,194
Vehicle expense	-	57	-	-	6,597	26	13,578	-	-	70,235	39,401	5,915	-	26	135,835
Travel and conferences	9,837	40,819	102,683	3,345	2,616	3,071	182	4,803	-	31,420	18	(466)	10,763	2,300	211,391
Dues and subscriptions	3,564	22,662	19,654	8,805	10,500	23	2	870	-	1,534	11	-	1,115	1,088	69,828
Training	453	7,836	13,465	7,666	4	114	6	589	-	710	20	9,950	5,638	7	46,458
Equipment expense	890	7,696	27,229	1,397	(297)	1,254	-	-	-	1,182	-	-	1,875	-	41,226
Equipment depreciation	2,042	-	-	-	6,670	-	-	-	-	45,225	48,029	-	26,352	-	128,318
Other	846	1,309	9,952	477	108	2,699	1,207	5,113	-	14,702	584	25	58,364	11,366	106,752
<b>Totals</b>	<u>\$ 301,812</u>	<u>\$ 917,525</u>	<u>\$ 7,535,196</u>	<u>\$ 767,191</u>	<u>\$ 1,919,467</u>	<u>\$15,261,776</u>	<u>\$ 147,402</u>	<u>\$ 249,306</u>	<u>\$ 1,281,980</u>	<u>\$ 2,828,557</u>	<u>\$ 332,048</u>	<u>\$ 469,354</u>	<u>\$ 2,129,189</u>	<u>\$ 216,669</u>	<u>\$ 34,357,472</u>

The accompanying notes are an integral part of these consolidated financial statements.

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2022

	Alzheimer's and Dementia Services	Area Agency on Aging	Case Management	Community Services	COVID-19	Energy Assistance	Foster Grandparents	Guardian- ship	Home Health Care	Nutrition	Transportation	Weather- ization	Management and General	Development and Fundraising	Totals
<b>Personnel:</b>															
Wages	\$ 67,392	\$ 506,921	\$ 4,481,019	\$ 223,158	\$ 511,907	\$ 60,211	\$ 77,391	\$ 129,328	\$ -	\$ 950,288	\$ 134,571	\$ 84,652	\$ 838,712	\$ 48,275	\$ 8,113,825
Retirement	2,684	10,868	152,706	21,378	11,777	4,229	1,717	6,078	-	26,671	6,687	3,177	42,103	1,984	292,059
Other benefits	13,276	59,778	1,012,546	96,302	34,733	14,924	4,892	61,304	-	204,535	10,063	23,654	260,944	13,572	1,810,523
Payroll taxes	5,584	37,492	332,802	16,603	38,895	4,565	5,590	8,495	-	72,327	10,506	6,805	61,444	3,526	604,634
	88,936	615,059	5,979,073	357,441	597,312	83,929	89,590	205,205	-	1,253,821	161,827	118,288	1,203,203	67,357	10,821,041
<b>Assistance to individuals</b>	10,682	123,041	91,910	319,001	8,614,513	6,176,160	47,191	2,250	1,083,319	52,003	14,410	146,272	-	-	16,680,752
Occupancy	9,556	15,768	258,357	30,281	63,345	140,433	3,311	10,142	-	208,738	3,410	6,366	63,700	17,678	831,085
Contract services	-	-	-	-	-	-	-	-	-	-	-	-	98,342	1,042	99,384
IT services	3,567	18,030	116,377	12,711	10,532	9,852	3,779	2,672	-	27,283	9,402	382	29,410	4,253	248,250
Food	2	1,088	4,287	186	5,931	-	977	2	270,304	628,329	2	-	1,381	(1,556)	910,933
Program supplies	4,302	9,783	10,412	2,230	1,824	-	2,276	105	-	96,325	69	(30)	688	333	128,317
Office supplies	684	5,067	28,127	1,711	19,598	4,418	853	1,153	-	6,498	474	2,761	30,024	2,193	103,561
Duplicating	1,124	4,483	10,868	4,015	835	280	357	109	-	4,872	644	658	1,642	1,976	31,863
Recognition	637	3,362	1,248	3	1	654	932	1	-	657	608	631	2,963	2,748	14,445
Communications	4,017	2,774	18,495	134	1,359	20	1,834	1,402	-	24,330	5,548	811	4,607	-	65,331
Postage	1,564	1,620	9,425	638	8,580	3,960	881	865	-	2,407	563	172	24,266	1,864	56,805
Insurance	2,533	3,883	16,504	228	2,005	3,224	583	203	-	6,927	221	1,508	1,078	(2)	38,895
Printing and advertising	4,336	8,266	9,631	1,402	81,596	14,340	10,457	179	-	8,797	730	54	1,700	64,156	205,644
Vehicle expense	-	220	216	-	6,403	-	19,682	-	-	73,876	35,354	4,341	-	-	140,092
Travel and conferences	10,795	5,159	17,351	1,181	3,135	463	751	2,936	(44)	17,842	117	1,220	5,085	243	66,234
Dues and subscriptions	1,099	14,364	15,116	10,475	17	-	300	200	-	1,708	-	-	1,552	1,712	46,543
Training	399	2,625	804	12,875	2	-	-	225	-	24	-	9,000	8,244	-	34,198
Equipment expense	4,357	2,511	50,898	10,110	14,533	48	387	377	-	2,014	76	-	8,232	953	94,496
Equipment depreciation	-	-	-	-	-	-	-	-	-	43,985	47,150	-	27,966	-	119,101
Other	4,206	1,195	19,406	114	(22)	2,787	149	25	1,160	20,894	152	1,765	32,744	20,911	105,486
<b>Totals</b>	<b>\$ 152,796</b>	<b>\$ 838,298</b>	<b>\$ 6,658,505</b>	<b>\$ 764,736</b>	<b>\$ 9,431,499</b>	<b>\$ 6,440,568</b>	<b>\$ 184,290</b>	<b>\$ 228,051</b>	<b>\$ 1,354,739</b>	<b>\$ 2,481,330</b>	<b>\$ 280,757</b>	<b>\$ 294,199</b>	<b>\$ 1,546,827</b>	<b>\$ 185,861</b>	<b>\$ 30,842,456</b>

The accompanying notes are an integral part of these consolidated financial statements.

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2023 and 2022

<b>Change in Cash and Cash Equivalents:</b>	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Cash received from grants and contracts, program services, contributions, and others	\$ 16,652,545	\$ 17,959,659
Investment income received	209,517	188,134
Payments for wages, benefits, and payroll taxes	(12,716,379)	(10,919,079)
Payments to vendors and others	(7,527,372)	(7,278,309)
Payments of income taxes	-	(3,735)
<i>Net cash (used in) operating activities</i>	<u>(3,381,689)</u>	<u>(53,330)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(672,065)	(436,705)
Proceeds from disposition of property and equipment	-	32,796
Purchase of investments	(725,835)	(1,201,055)
Proceeds from sale of investments	782,079	620,477
<i>Net cash (used in) investing activities</i>	<u>(615,821)</u>	<u>(984,487)</u>
<b>Net change in cash and cash equivalents</b>	<b>(3,997,510)</b>	<b>(1,037,817)</b>
Cash and cash equivalents, beginning of year	<u>6,274,829</u>	<u>7,312,646</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 2,277,319</u>	<u>\$ 6,274,829</u>
<b>Reconciliation of Change in Net Assets to Net Cash (Used in) Operating Activities:</b>		
Change in net assets	\$ (879,629)	\$ (643,890)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	219,860	198,675
Investment (gains) losses	(397,763)	937,903
Change in value of beneficial interests	(27,403)	208,538
(Gain) on disposition of property and equipment	-	(29,843)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(2,156,446)	(219,242)
Prepaid expenses	205	157,303
Accounts payable and accrued liabilities	(387,487)	510,728
Refundable advances	151,414	(523,715)
Deferred revenues	(4,890)	(23,610)
Agency funds held for others	100,450	(626,177)
<i>Net cash (used in) operating activities</i>	<u>\$ (3,381,689)</u>	<u>\$ (53,330)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**REAL SERVICES, INC. AND AFFILIATES**  
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**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements include the accounts of REAL Services, Inc. and its controlled affiliates, REAL Services Foundation, Inc. and REAL Services Housing, Inc. (collectively, the Organization, we, us, our). Our operations are supported primarily by grants and contracts from governmental agencies and contributions from the public.

REAL Services, Inc. is a tax-exempt, Indiana nonprofit corporation formed to assist in establishing a community in which older adults can maintain their independence to the maximum extent possible and find meaning and satisfaction throughout their lives. We also administer programs assisting low-income persons. REAL Services Foundation, Inc. is a tax-exempt, Indiana nonprofit corporation formed to solicit and administer contributions received for the benefit of REAL Services, Inc. REAL Services Housing, Inc. is a tax-exempt, Indiana nonprofit corporation formed to hold property for, and lease it to, REAL Services, Inc. We fulfill our mission by focusing our efforts in the following primary service areas:

- *Alzheimer's and Dementia Services* – Alzheimer's and Dementia Services program provides families with support and education throughout the region.
- *Area Agency on Aging* – Designated as an Area Agency on Aging, we conduct needs assessments and contract for services that assist older adults in the region.
- *Case Management* – Care Managers assess older adults throughout the region to determine what the older adults need to remain safely living at home.
- *Community Services* – Our Community Services programs assists low-income families in the region to become financially self-sufficient.
- *COVID-19* – We provide multiple programs to support individuals and families during the economic contraction and social restrictions caused by the COVID-19 pandemic.
- *Energy Assistance* – The Energy Assistance program helps low-income households in the region with their heating expenses during the winter months and cooling during the summer months.
- *Foster Grandparents* – Our Foster Grandparents program provides an opportunity for low-income seniors to support children in day care, and schools in Elkhart and St. Joseph Counties.
- *Guardianship* – REAL Services becomes legal guardian for incapacitated older adults in the region who have no other appropriate advocate to assist them.
- *Home Health Care* – The Area Agency on Aging subcontracts with home care agencies to help older adults throughout the region live at home for as long as possible.
- *Nutrition* - Our Nutrition program provides older adults with nutritious meals and activities at approximately thirty centers in the region.
- *Transportation* – Our Transportation program assists older adults by providing rides to the doctor, grocery, or bank in St. Joseph County.
- *Weatherization* – The Weatherization program helps low-income households in the region to reduce fuel consumption.

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Significant Accounting Policies:

*Use of Estimates:*

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant estimates used in the accompanying consolidated financial statements include-

- Revenue earned from government-funded awards. The majority of our revenue is earned on such awards that are governed by cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.
- The valuation of beneficial interests in assets held by Community Foundation, which is based on the value of the underlying assets, as provided by the community foundation that holds the assets and which approximates the present value of expected future distributions.
- The valuation of contributed facilities, which is based on rents for comparable facilities.
- Allocations of expenses among program and supporting service functions, which are based on factors discussed later in this note.

*Consolidation:*

The affiliates are organized and operated exclusively to carry out the purposes of REAL Services, Inc., and the Board of Directors of REAL Services, Inc. elects all members of the affiliates' Boards. All material transactions and balances between the Organizations have been eliminated in these consolidated financial statements.

*Net Asset Classes:*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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*Cash and Cash Equivalents:*

We consider highly liquid financial instruments with original maturities of three months or less and that are neither held for nor restricted by donors for long-term purposes to be cash and cash equivalents. However, cash and cash equivalents held in escrow for employee benefits and held for others under guardianships are not included in cash and cash equivalents but are reported separately.

*Grants and Contracts Receivable:*

Unconditional grants and contracts and other promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value, using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written-off when deemed uncollectable.

*Investments:*

Investment purchases are recorded at cost, or if donated, at fair value on the date donated. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external and direct internal investment expenses.

*Beneficial Interests in Assets Held by Community Foundation:*

We have established two endowments funds that are perpetual in nature (the funds) with Community Foundation of St. Joseph County, Inc. (Community Foundation) to which both we and others have contributed and named ourselves as beneficiary, and we are the beneficiary of a third fund that was established solely by other donors. We and the other donors granted variance power to Community Foundation, which allows Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in its sole judgment, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The funds are held and invested by Community Foundation for our benefit. The portions of the funds that are attributable to our contributions are reported at fair value in the statements of financial position based on the value of the underlying assets, as provided by Community Foundation that holds the assets and which approximates the present value of expected future distributions. Distributions and changes in fair value of those portions of the funds are recognized in the statements of activities. The portions of the funds attributable to contributions from others are not reported as an asset in the statements of financial positions, and distributions from those portions are included in contributions revenue in the statements of activities.

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*Property and Equipment:*

Property and equipment is stated at cost, if acquired, or at fair value at the date of receipt, if donated, less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Buildings.....	40 years
Leasehold improvements.....	Lesser of lease term or 10 years
Program equipment .....	10 years
Vehicles .....	8 years
Office equipment.....	5 to 8 years

Most of our program equipment and vehicles have been purchased with governmental grant funds. Disposition of these assets, as well as the ownership of any sale proceeds, is subject to funding source and other regulatory directives. Because management expects such assets to be used in accordance with the funding source directives, the cost of such items has been recorded as assets when they were acquired.

*Leases:*

Lease assets represent our right to use an underlying asset for the lease term. Leased assets are recognized at the present value of future minimum lease payments over the lease term as of the commencement date, plus initial direct costs incurred and lease payments made, less any lease incentives received. Lease liabilities represent our contractual obligation to make lease payments. Lease liabilities are recognized at the present value of the future minimum lease payments over the lease term as of the commencement date.

We determine if an arrangement contains a lease at inception. If an arrangement is considered a lease, we determine at the commencement date whether the lease is an operating lease or a finance lease. Finance leases are leases that meet any of the following criteria-

- The lease transfers ownership of the underlying asset at the end of the lease term.
- The lessee is reasonably certain to exercise an option to purchase an underlying asset.
- The lease term is for the major part of the remaining economic life of the underlying leased assets.
- The present value of the sum of the lease payments and any additional residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

A lease that does not meet any of these criteria is considered to be an operating lease. After the commencement date, lease costs for an operating lease are recognized over the remaining lease term on a straight-line basis, while lease costs for a finance lease are based on depreciation of the leased asset and interest on the lease liability. Leases with an initial term of twelve months or less are short-term leases, which are not recorded in the accompanying consolidated statements of financial position unless the lease contains a purchase or renewal option that is reasonably certain to be exercised. Lease costs related to short-term leases are recognized on a straight-line basis over the lease term.

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Determinations with respect to lease term (including any extensions), discount rate, variable lease costs, and future minimum lease payments require the use of judgement based on the facts and circumstances related to each lease. We consider various factors, including economic incentives and penalties and business need, to determine the likelihood that a renewal option will be exercised. Unless a renewal option is reasonably certain to be exercised, the initial non-cancelable lease term is used. We use our estimated incremental borrowing rates that match each lease maturity at the inception of each lease to determine the present value of future minimum lease payments.

*Revenue and Revenue Recognition:*

*Contributions and grants:*

Contributions and grants are recognized as revenue when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions are not recognized as revenue until the conditions on which they depend have been substantially met. Amounts received from conditional contributions are reported as refundable advances in the statements of financial position until the conditions are satisfied. Revenue from cost-reimbursable and fee-for-service awards are recognized as revenue when allowable expenditures are incurred or allowable services are performed. Amounts received in advance of incurring allowable costs or performing allowable services are reported as refundable advances in the statements of financial position.

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. Our policy is to sell donated securities as soon as practical after receipt. Contributions of property and equipment are recorded at fair value at the date of contribution and are reported as increases in net assets without donor restrictions unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as net assets with donor restrictions. Absent donor stipulations regarding how long such donated assets must be maintained, we report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. We reclassify net assets with donor restrictions to net assets without donor restrictions at that time.

We consider all contributions to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Contributions of goods and property are recorded at fair value at the date contributed. Contributions of the use of facilities at no charge or at below-market charge are recorded at fair value, less any charges.

Payments made directly to vendors by governmental funding sources under awards in which we perform intake functions and are liable for errors made in determining participant eligibility are recorded as both revenue and expenses.

Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their fair value in the period received. No contributed services are recognized in the accompanying consolidated financial

**REAL SERVICES, INC. AND AFFILIATES**  
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statements because the criteria for recognition were not met. However, a substantial number of volunteers donate significant amounts of time to us.

*Contracts with customers:*

We earn revenue from customers by providing social services, primarily for elder care. Fees for such services are recognized as revenue at the point in time when the services are substantially performed and billed. For the years ended June 30, 2023 and 2022, we earned \$352,882 and \$529,541, respectively, for such services, which are included in program service revenue in the accompanying consolidated statements of activities.

A performance obligation is a promise in a contract with a customer to transfer a distinct good or service. All of our contracts with customers are considered to have a single performance obligation, whereby we provide a service to our customers.

*Milton Village Agency Transactions:*

In October 2020, we entered into a Memorandum of Understanding (MOU) with The Center for Hospice Care (CHC) related to fundraising activities for the construction of an Adult Day Care facility at Milton Village. The MOU states that we are to engage in fundraising activities for the sole purpose of covering part of the construction cost of this project. All funds received from the fundraising activities will be remitted directly to CHC to cover construction costs. We have no discretion over the use of the funds raised for this project.

In accordance with the MOU, we remit all donations received for the Milton Village project to CHC as agency transactions. No revenues or expenses for the project have been recognized in our financial statements subsequent to the signing of the MOU. At June 30, 2023 and 2022, the amount due to CHC for contributions collected on their behalf was \$104,831 and \$4,381, respectively, which is reported as agency funds held for others in the consolidated statements of financial position.

*Functional Allocation of Expenses:*

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, insurance, communications, office supplies, equipment maintenance, and others, which are allocated on the basis of estimates of time and effort or other factors driving expenses.

*Income Taxes:*

All three entities are exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for tax on unrelated business income. Consequently, the accompanying financial statements do not include any provision for income taxes except for tax on unrelated business income. The Internal Revenue Service classifies all three entities as other than private foundations under Internal Revenue Code Section 509(a)(1).

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We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include our tax-exempt status and positions related to the potential sources of unrelated business taxable income. We have not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. We classify interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense, and there was no accrued interest or any penalties related to unrecognized tax benefits at either June 30, 2023 or 2022, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to June 30, 2020.

*Financial Instruments and Credit Risk:*

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with grants and contracts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, local individuals, and others supportive of our mission. Investments are made by investment managers whose performance is monitored by us and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the Board believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

*Recent Accounting Pronouncements and Accounting Change:*

As discussed further in Note 8, effective July 1, 2022, we adopted the provisions of Accounting Standards Codification (ASC) 842, *Leases*. Adoption of the standard had no effect on the 2022 financial statements.

*Subsequent Events Information:*

The date through which events occurring subsequent to June 30, 2023 have been evaluated for possible adjustment to the financial statements or disclosure is February 21, 2024, the date on which the financial statements were available to be issued.

**NOTE 2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of June 30, 2023 and 2022, respectively, are as follows:

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	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ -	\$ 3,703,715
Grants and contracts receivable	5,615,563	3,459,117
Investments	3,484,633	3,249,028
Distributions from:		
Endowment	43,470	39,234
Beneficial interests in assets held by Community Foundation	31,256	30,160
<i>Total financial assets available     for general expenditure</i>	<u>\$ 9,174,922</u>	<u>\$ 10,481,254</u>

We are partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, we must maintain sufficient resources to meet those responsibilities to our donors. Thus, financial assets may not be available for general expenditure within one year, and these have been excluded from the above amounts. As part of our liquidity management, we have a policy to structure our financial assets to be available as our general expenditures, liabilities, and other obligations come due. In addition, we may invest cash in excess of daily requirements in short-term investments.

Our investments include endowment funds, which are donor-restricted endowments and funds designated by the Board as endowments. Income from our endowment is without restriction and available for general use. These investments are subject to our spending policy discussed in Note 10. Although we don't intend to spend from the board-designated portion of the investment endowments of \$761,930 (other than amounts appropriated for general expenditure as part of our Board's annual budget), this amount could be made available if necessary. Distributions from the beneficial interests in assets held by Community Foundation are under the control of the Community Foundation and reflect expected distributions based on the historical 4%-5% distribution rate.

**NOTE 3. GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable consist of reimbursements due under government cost-reimbursable and fee-for-service awards and unconditional promises to give to the Organization. All amounts are due in the next year, and no allowance for uncollectables is considered necessary. At June 30, 2023, we received approximately \$11,980,000 in conditional promises to give under cost-reimbursable and fee-for-service awards, which will be recognized as revenue if and when allowable costs are incurred or services rendered.

**NOTE 4. INVESTMENTS INFORMATION**

Investments consist of the following at June 30, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Mutual income funds	\$ 1,485,030	\$ 1,509,316
Mutual equity funds	2,940,993	2,572,460
Mutual alternative investment funds	145,371	148,099
<i>Total investments</i>	<u>\$ 4,571,394</u>	<u>\$ 4,229,875</u>

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Reported in the accompanying consolidated statements of financial position as follows:

	<u>2023</u>	<u>2022</u>
Operating investments	\$ 3,484,633	\$ 3,249,028
Endowment investments	<u>1,086,761</u>	<u>980,847</u>
<i>Total investments</i>	<u>\$ 4,571,394</u>	<u>\$ 4,229,875</u>

Net investment return consists of the following for the years ended June 30, 2023 and 2022, respectively:

Interest on cash and cash equivalents	\$ 45,007	\$ 7,866
Interest and dividends on investments	98,901	116,859
Realized investment gains (losses)	(102,639)	171,091
Unrealized investment gains (losses)	500,402	(1,108,994)
Investment fees	(17,100)	(18,468)
Distributions from beneficial interests in assets held by Community Foundation	<u>65,609</u>	<u>63,409</u>
<i>Net investment return</i>	<u>\$ 590,180</u>	<u>\$ (768,237)</u>

**NOTE 5. BENEFICIAL INTERESTS IN ASSETS HELD BY COMMUNITY FOUNDATION**

We are the beneficiary of two funds held by Community Foundation of St. Joseph County, Inc. (Community Foundation), to which both we and others have contributed. One of the funds was established using funds that were permanently restricted by the donor (see Note 9). We are also the beneficiary of a third fund that was established solely by contributions by other donors. We and the other donors have granted Community Foundation variance power in the determination of annual distributions and transfer of the accounts to other community organizations in certain circumstances. Distributions to us are under the control of Community Foundation.

The value of the portions of the funds attributable to our contributions was \$1,281,398 and \$1,253,995 at June 30, 2023 and 2022, respectively, which is reported as an asset in the accompanying consolidated statements of financial position. The change in value of those portions, net of distributions, for the years ended June 30, 2023 and 2022 was \$27,403 and (\$208,538), respectively, which is included in revenue in the accompanying consolidated statements of activities. We received distributions from those portions of the funds of \$65,609 and \$63,409 during the years ended June 30, 2023 and 2022, respectively, which are included in net investment return.

The portions of the funds attributable to contributions by other donors are not recognized as assets since other donors established them and granted variance power to Community Foundation. We periodically receive distributions in the form of grants from those portions of the funds. The total value of those portions of the funds at June 30, 2023 and 2022 was \$4,811,821 and \$4,706,689, respectively. We received distributions from those portions of the funds of \$246,907 and \$238,283 during the years ended June 30, 2023 and 2022, respectively, which are included in contributions revenue.

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**NOTE 6. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Land	\$ 222,605	\$ 207,630
Buildings	4,479,778	3,819,956
Leasehold improvements	48,411	48,411
Program equipment	362,711	266,642
Vehicles	1,117,610	938,248
Office equipment	<u>251,049</u>	<u>238,801</u>
	6,482,164	5,519,688
Less accumulated depreciation	<u>(3,320,404)</u>	<u>(3,100,413)</u>
	3,161,760	2,419,275
Assets not yet in service	<u>-</u>	<u>290,280</u>
<i>Net property and equipment</i>	<u>\$ 3,161,760</u>	<u>\$ 2,709,555</u>

**NOTE 7. FAIR VALUE MEASUREMENTS**

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

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The fair value of assets measured on a recurring basis at June 30, 2023 and 2022, respectively, is as follows:

	Fair Value	Level 1	Level 2	Level 3
<i>June 30, 2023:</i>				
Investments	\$ 4,571,394	\$4,571,394	\$ -	\$ -
Beneficial interests in assets held by Community Foundation	<u>1,281,398</u>	<u>-</u>	<u>-</u>	<u>1,281,398</u>
<i>Totals</i>	<u>\$ 5,852,792</u>	<u>\$4,571,394</u>	<u>\$ -</u>	<u>\$ 1,281,398</u>
<i>June 30, 2022:</i>				
Investments	\$ 4,229,875	\$4,229,875	\$ -	\$ -
Beneficial interests in assets held by Community Foundation	<u>1,253,995</u>	<u>-</u>	<u>-</u>	<u>1,253,995</u>
<i>Totals</i>	<u>\$ 5,483,870</u>	<u>\$4,229,875</u>	<u>\$ -</u>	<u>\$ 1,253,995</u>

Fair values for investments that are readily marketable are determined by reference to quoted market prices. Fair value for the beneficial interests in assets held by Community Foundation is based on the fair value of the underlying assets, as provided by the community foundation that holds the assets and which approximates the present value of expected future distributions.

The following is a reconciliation of beginning and ending balances of the beneficial interests in assets held by Community Foundation that is measured by Level 3 inputs for the years ended June 30, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Beginning fair value	\$ 1,253,995	\$ 1,462,533
Distributions	(65,609)	(63,409)
Change in value	<u>93,012</u>	<u>(145,129)</u>
<i>Ending fair value</i>	<u>\$ 1,281,398</u>	<u>\$ 1,253,995</u>

The change in value of the beneficial interests in assets held by Community Foundation is included in revenue in the accompanying consolidated statements of activities. All the above Level 3 changes in value are attributable to changes in the value of assets held by Community Foundation at June 30, 2023 and 2022, respectively.

**NOTE 8. LEASE INFORMATION**

Effective July 1, 2022, we adopted the provisions of Accounting Standards Codification (ASC) 842, *Leases*. Under this guidance, we determine if an arrangement contains a lease at inception based on whether we have the right to control an asset during the contact period and other facts and circumstances. Upon adoption of the new guidance, we elected to apply the following package practical expedients:

- Contracts need not be reassessed to determine whether they contain leases.
- All existing leases that were classified as operating leases continue to be classified as operating leases, and existing leases that were classified as capital leases continue to be classified as finance leases.

**REAL SERVICES, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2023 and 2022

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We also elected the following practical expedients:

- To apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less.
- The use of hindsight in determining the lease term and in assessing impairment of right-to-use assets.
- Only the written terms of a related party lease are considered in determining if a lease exists and in accounting for it.

The adoption of ASC 842 resulted in recognition of right-of-use assets and of operating lease liabilities of approximately \$251,000 at July 1, 2022. Results of periods prior to July 1, 2022 continue to be reported in accordance with our historical accounting treatment.

We lease certain facilities and equipment under non-cancelable operating leases expiring in various months through December 2027. The following provides quantitative information about our leases as of and for the year ended June 30, 2023:

Statement of financial position line-items:

Right-of-use assets:	
Operating leases	\$ <u>211,300</u>
Lease liabilities:	
Operating leases	\$ <u>211,300</u>

Lease cost components in the statement of activities:

Operating lease costs	\$ 123,080
Short-term lease costs	<u>75,349</u>
<i>Total lease costs</i>	<u>\$ 198,429</u>

Cash flows information:

Operating cash flows from operating leases	\$ <u>123,080</u>
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Weighted-average remaining lease term (in years):

Operating leases	<u>2.4</u>
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Weighted-average discounts rate applied:

Operating leases	<u>5.4%</u>
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Following is a maturity analysis by year of annual undiscounted cash flows for operating lease liabilities at June 30, 2023:

2024	\$ 121,664
2025	81,703
2026	9,036
2027	8,733
2028	<u>3,360</u>
<i>Totals</i>	224,496
Less imputed interest	<u>(13,196)</u>
<i>Discounted lease liability</i>	<u>\$ 211,300</u>

**REAL SERVICES, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2023 and 2022

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Total lease expense for the year ended June 30, 2022 was \$141,342.

**NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following periods or purposes at June 30, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purposes:		
Meal Program	\$ 719,491	\$ 688,146
Weatherization	63,811	62,984
Local crime victims	17,093	17,093
Care transitions	17,666	17,666
Caregiver Connection	765,441	673,486
Client self-sufficiency programs	30,057	30,057
Utility assistance programs	50,629	52,970
Guardianship programs	53,354	134,924
Alzheimer's programs	61,766	156,352
Kitchen project	172,341	243,760
Transportation vans	128,667	101,172
Foster Grandparents	55,936	55,958
Case Management	157,425	148,673
Meals on Wheels	149,525	151,269
Food truck	27,314	33,105
Other	3,499	3,499
	<u>2,474,015</u>	<u>2,571,114</u>
Not subject to spending policy or appropriation:		
Held by Community Foundation and restricted by donor for Caregiver Connection program	<u>500,000</u>	<u>500,000</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 2,974,015</u>	<u>\$ 3,071,114</u>

Net assets were released from restrictions by incurring expenses satisfying restricted purposes specified by donors as follows for the years ended June 30, 2023 and 2022, respectively:

Case Management	\$ -	\$ 5,681
Meals on Wheels	137,442	97,470
Utility assistance programs	15,845	13,640
Guardianship programs	213,255	174,634
Alzheimer's program	263,366	134,395
Meal program	37,106	47,725
Food truck	63,654	64,585
Kitchen project	71,419	-
Transportation	7	4,219
Weatherization program	73	3,749
Caregiver connection	46	-
Local crime victims	-	15,906
Foster Grandparents	22	82
<i>Total net assets released</i>	<u>\$ 802,235</u>	<u>\$ 562,086</u>

**REAL SERVICES, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2023 and 2022

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**NOTE 10. ENDOWMENT INFORMATION**

Our endowment (the Endowment) consists of funds held at a local financial institution and at the Community Foundation of St. Joseph County, Inc. The endowment held by a local financial institution consists of two funds, one of which was established with net assets without donor restrictions that have been designated for endowment by our governing board, and one of which was established with net assets restricted by donors. The endowment held by Community Foundation of St. Joseph County, Inc. consist of two funds, one of which was established with net assets without donor restrictions that have been designated for endowment by our governing board, and one of which was established with net assets restricted by donors.

Our governing board has interpreted the State of Indiana Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment, and b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The investment and spending policies for the Endowment are under our control except for assets held at the Community Foundation of St. Joseph County, Inc.

The Endowment was composed of the following net asset classes at June 30, 2023 and 2022, respectively:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>At June 30, 2023</u>			
Board-designated endowment funds	\$1,310,194	\$ -	\$1,310,194
Donor-restricted endowment funds	-	324,832	324,832
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	<u>-</u>	<u>500,000</u>	<u>500,000</u>
<i>Totals</i>	<u>\$1,310,194</u>	<u>\$ 824,832</u>	<u>\$2,135,026</u>

**REAL SERVICES, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2023 and 2022

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>At June 30, 2022</u>			
Board-designated endowment funds	\$ 1,232,634	\$ -	\$ 1,232,634
Donor-restricted endowment funds	-	284,885	284,885
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	-	500,000	500,000
<i>Totals</i>	<u>\$ 1,232,634</u>	<u>\$ 784,885</u>	<u>\$ 2,017,519</u>

Changes in the Endowment for the years ended June 30, 2023 and 2022, respectively, are as follows:

Balances June 30, 2021	\$ 1,469,505	\$ 847,635	\$ 2,317,140
Investment return	(209,629)	(26,583)	(236,212)
Distributions by Community Foundation	(27,242)	(36,167)	(63,409)
<i>Balances June 30, 2022</i>	1,232,634	784,885	2,017,519
Investment return	133,421	77,378	210,799
Distributions by Community Foundation and other	(55,861)	(37,431)	(93,292)
<i>Balances June 30, 2023</i>	<u>\$ 1,310,194</u>	<u>\$ 824,832</u>	<u>\$ 2,135,026</u>

*Investment Return Objectives, Risk Parameters, and Strategies.* We have adopted investment and spending policies which attempt to provide a predictable stream of funding to the Organization while also maintaining the purchasing power of those assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions to the Society as determined below, while growing the assets, if possible. Therefore, we have an objective for our endowment assets, over time, to produce an average annual rate of return of approximately 4% over inflation. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of total invested assets; investment assets and allocation between asset classes and strategies are managed to not expose the invested assets to unacceptable levels of risk.

*Spending Policy.* Our spending policy is established by the governing trust agreement, which requires that annual distributions be made to us based on a “distribution percentage” times the average quarterly market value of our assets (excluding contributions receivable and the beneficial interest in assets held by Community Foundation) for the prior three years. The distribution percentage is based on the value of our assets at the June 30 prior to the end of the preceding fiscal year, and is generally as follows:

<u>Market Value of Assets</u>	<u>Distribution %</u>
\$0 to \$3,500,000	4.00%
\$3,500,001 to \$3,750,000	4.25%
\$3,750,001 to \$4,250,000	4.50%
\$4,250,001 to \$5,000,000	4.75%
Over \$5,000,000	5.00%

**REAL SERVICES, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2023 and 2022

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If the total return on investments (both income and appreciation) for the twelve months ending on the preceding June 30, less the sum of the Consumer Price Index for that year plus one percent, is less than the applicable distribution percentage, the distribution percentage is the greater of the result of that calculation or 4%. No distribution to us will be made during the first two fiscal years of the Endowment Funds.

In establishing this policy, we considered the long-term expected return on our investment assets and the possible effects of inflation. Our objective and goal, over time, is to not have distributions, plus inflation, exceed the rate of return of our endowment fund.

**NOTE 11. EMPLOYEE BENEFIT PLANS**

We maintain a defined-contribution tax-deferred annuity pension plan covering substantially all of our employees. Pension costs are funded in the period that they accrue. Pension expense was \$368,378 and \$292,059 for the years ended June 30, 2023 and 2022, respectively.

We maintain a self-funded medical plan for our full-time employees that is managed by a third-party administrator. We have purchased a stop-loss insurance policy for the plan that reimburses us for individual claims in excess of \$30,000 annually. We fund a separate bank account that is restricted for payment of claims and insurance. We have recorded accruals for our estimated portion of self-insured claims based on estimated claims incurred through June 30, 2023 and 2022, respectively.

We also maintain an executive retirement plan that is designed in accordance with Section 457(b) of the Internal Revenue Code. Participants are designated by the Board of Directors. We generally make discretionary annual contributions on a calendar year basis into the plan on behalf of each participant. The funds deposited into this plan remain assets of the Organization until such time that the participant withdraws the funds in accordance with the plan provisions. Assets held in this plan were \$201,403 and \$231,703 at June 30, 2023 and 2022, respectively, and corresponding liabilities, including unfunded estimated accrued amounts, are reported in the consolidated statements of financial position. Retirement plan expense under this plan was \$-0- and \$34,625, respectively, for the years ended June 30, 2023 and 2022.

**NOTE 12. CONTRIBUTED NONFINANCIAL ASSETS**

Contributed nonfinancial assets recognized in the accompanying statements of activities are as follows for the years ended June 30, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Use of facilities	\$ 117,835	\$ 145,048
Energy assistance payments	<u>14,180,408</u>	<u>11,648,047</u>
<i>Totals</i>	<u>\$ 14,298,243</u>	<u>\$ 11,793,095</u>

Use of facilities is for space used for nutrition sites rented free of charge or at reduced charge. The difference between the fair value for the use of these facilities and the cost is recorded as revenue and expense.

**REAL SERVICES, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2023 and 2022

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Indiana Housing and Community Development Authority (IHCDA) makes energy assistance payments for participants in the Low-Income Home Energy Assistance Program directly to the energy providers on behalf of all entities administering the program. Because we perform all intake functions and are liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers are recorded as both grants revenue and financial assistance expense in the accompanying consolidated financial statements.

**NOTE 13. CONCENTRATIONS**

All of our programs and activities occur in Northern Indiana; consequently, our sources of support and revenue may be affected by conditions in that area. In addition, for the year ended June 30, 2023, approximately 96% of total revenues were from state and federal government sources, with approximately 54% of total revenues from Indiana Housing and Community Development Authority, 23% from Indiana Family and Social Services Administration, and 15% from Indiana Medicaid. For the year ended June 30, 2022, approximately 96% of total revenues were from state and federal government sources, with approximately 45% of total revenues from Indiana Housing and Community Development Authority, 24% from Indiana Family and Social Services Administration, and 14% from Indiana Medicaid.

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents and grants and contracts receivable. We have cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation and are not otherwise collateralized. At June 30, 2023 and 2022, we had approximately \$43,000 and \$5,390,000, respectively, of cash on deposit with financial institutions that exceeded federal deposit insurance coverage and are not otherwise collateralized. In addition, grants and contracts receivable are due primarily from agencies of the State of Indiana, which represents a concentration of credit risk.

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS**  
Year Ended June 30, 2023

<u>Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Provided to Subrecipients</u>	<u>Total Expenditures</u>
<b>Federal Assistance</b>				
<i>Department of Housing and Urban Development:</i>				
<i>CDBG - Entitlement Grants Cluster:</i>				
<i>Passed-through City of Mishawaka:</i>				
Community Development Block Grants/ Entitlement Grants	14.218	n/a	\$ -	\$ 10,000
<i>Passed-through City of South Bend:</i>				
COVID-19 Community Development Block Grants/ Entitlement Grants	14.218	21-CV-51	-	144,780
<i>Total CDBG - Entitlement Grants Cluster</i>				
			-	154,780
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
COVID-19 Emergency Solutions Grant Program	14.231	ESRR-CV-020-0015	-	425,571
COVID-19 Emergency Solutions Grant Program	14.231	ESHP-CV-020-0021	-	18,800
<i>Total Emergency Solutions Grant Program</i>				
			-	444,371
<i>Total Department of Housing and Urban Development</i>				
			-	599,151
<i>Department of Transportation:</i>				
<i>Transit Services Programs Cluster:</i>				
<i>Passed-through South Bend Public Transportation Corporation:</i>				
<i>Transit Services Programs Cluster:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	5310 2023-25	-	27,625
<i>Department of Treasury:</i>				
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
COVID-19 Emergency Rental Assistance Program	21.023	SJC-ERA-005-02	-	113,433
<i>Passed-through St. Joseph County:</i>				
COVID-19 Emergency Rental Assistance Program	21.023	ERA-2022-005-018	-	476,835
<i>Total Emergency Rental Assistance Program</i>				
			-	590,268
<i>Department of Energy:</i>				
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
Weatherization Assistance for Low-Income Persons	81.042	WX-021-020/WX-022-020	-	194,788
Weatherization Assistance for Low-Income Persons	81.042	BIL-WX-022-020	-	38,256
<i>Total Department of Energy</i>				
			-	233,044
<i>Department of Health and Human Services:</i>				
<i>Passed-through Indiana Family and Social Services Administration:</i>				
<i>Special Programs for the Aging, Title VII, Chapter 2,</i>				
Long Term Care Ombudsman Services for Older Individuals	93.042	49706/59399	-	30,869
<i>Special Programs for the Aging, Title III, Part D,</i>				
Disease Prevention and Health Promotion Services	93.043	49706/59399	-	59,955

The accompanying notes are an integral part of this schedule.

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS**  
Year Ended June 30, 2023

<u>Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Provided to Subrecipients</u>	<u>Total Expenditures</u>
<i>Aging Cluster:</i>				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	49706/59399	-	292,908
COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	59421	-	58,384
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	49706/59399	<u>277,593</u>	<u>756,783</u>
<i>Total Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers</i>			<u>277,593</u>	<u>1,108,075</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	49706/59399	190,135	2,298,996
Nutrition Services Incentive Program	93.053	49706/59399	-	167,454
<i>Total Aging Cluster</i>			<u>467,728</u>	<u>3,574,525</u>
National Family Caregiver Support, Title III, Part E	93.052	49706/59399	-	368,182
Social Services Block Grant	93.667	49706/59399	-	891,106
<i>Medicaid Cluster:</i>				
Medical Assistance Program	93.778	64663	-	940,401
<i>Passed-through U.S Aging:</i>				
Special Programs for the Aging, Title IV and Title II, Discretionary Projects	93.048	90ADCI0007/90hdc0007	-	255,360
<i>Passed-through Indiana Family and Social Services Administration:</i>				
COVID-19 Special Programs for the Aging, Title IV and Title II, Discretionary Projects	93.048	59421	-	28,862
<i>Total Special Programs for the Aging, Title IV and Title II, Discretionary Projects</i>			-	<u>284,222</u>
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
		LI-023-020/LI-ES-023-020/		
Low-Income Home Energy Assistance	93.568	WAT-022-020	-	15,480,908
COVID 19 Low-Income Home Energy Assistance	93.568	ARPA-WA-021-020	-	240,194
Low-Income Home Energy Assistance	93.568	WL-022-020/WL-023-020	-	567,729
<i>Total Low-Income Home Energy Assistance</i>			-	<u>16,288,831</u>
<i>Passed-through Trustees of Indiana University:</i>				
Alzheimer's Disease Program Initiative (ADPI)	93.470	8621-REAL	-	23,687

The accompanying notes are an integral part of this schedule.

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS**  
Year Ended June 30, 2023

<u>Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Provided to Subrecipients</u>	<u>Total Expenditures</u>
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
<i>477 Cluster:</i>				
Community Services Block Grant	93.569	CS-023-020/CS-022-020	151,001	793,844
COVID-19 Community Services Block Grant	93.569	CS-CV-020-020	17,876	69,818
<i>Total 477 Cluster</i>			<u>168,877</u>	<u>863,662</u>
<b><i>Total Department of Health and Human Services</i></b>			<u>636,605</u>	<u>23,325,440</u>
<i>Corporation for National and Community Service:</i>				
<i>Foster Grandparent/Senior Companion Cluster:</i>				
AmeriCorps Seniors Foster Grandparent Program	94.011	18SFNIN005	-	105,654
<b>Total expenditures of federal awards</b>			<u>\$ 636,605</u>	<u>\$ 24,881,182</u>
<b>Nonfederal Assistance</b>				
<i>Passed-Through Indiana Family and Social Services Administration:</i>				
CHOICE		65027	\$ -	\$ 1,342,030
Assisted Living Ombudsman		65027	-	5,936
Older Hoosier Act		65027	-	187,820
Medicaid reimbursements		n/a	-	5,028,000
Indiana Supreme Court - VASIA		n/a	-	75,000
<i>Total expenditures of state awards</i>			<u>-</u>	<u>6,638,786</u>
<i>Local Area Agency:</i>				
Area 12 Liaison		n/a	-	8,325
Enhanced Mobility of Seniors and Individuals with Disabilities		n/a	-	27,625
<b>Total expenditures of nonfederal awards</b>			<u>\$ -</u>	<u>\$ 6,674,736</u>

The accompanying notes are an integral part of this schedule.

**REAL SERVICES, INC. AND AFFILIATES**  
NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND  
NONFEDERAL AWARDS  
Year Ended June 30, 2023

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**NOTE 1. BASIS OF PRESENTATION**

The accompanying consolidated schedule of expenditures of federal and nonfederal awards (the Schedule) includes the federal and nonfederal award activities of Real Services, Inc. and Affiliates under programs of the federal and nonfederal governments for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Real Services, Inc. and Affiliates, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of Real Services, Inc. and Affiliates.

**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.

The Indiana Housing and Community Development Authority (IHCDA) makes energy assistance payments for participants in the Low-Income Home Energy Assistance Program, Federal Assistance Listing Number #93.568, directly to the energy providers on behalf of entities administering the program. Because the Organization performs all intake functions and is liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers, totaling \$14,180,408, are included in federal expenditures in the accompanying Schedule.

**NOTE 3. INDIRECT COST RATE**

Real Services, Inc. and Affiliates have not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

During the year ended June 30, 2023, REAL Services, Inc. and Affiliates did not receive donated personal protective equipment from federal sources.



Audit, Accounting, Tax & Advisory

3454 Douglas Rd., Suite 100  
South Bend, IN 46635  
574-233-9366  
AICPA Member

**INDEPENDENT AUDITOR’S 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***

To the Board of Directors  
REAL Services, Inc. and Affiliates  
South Bend, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of REAL Services, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated February 21, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered REAL Services, Inc. and Affiliates’ 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 REAL Services, Inc. and Affiliates’ internal control. Accordingly, we do not express an opinion on the effectiveness of REAL Services, Inc. and Affiliates’ 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. 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 were not identified.

**Report on Compliance and Other Matters**

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

***DWC CPAs LLC***

South Bend, Indiana

February 21, 2024



Audit, Accounting, Tax & Advisory

3454 Douglas Rd., Suite 100  
South Bend, IN 46635  
574-233-9366  
AICPA Member

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
REAL Services, Inc. and Affiliates  
South Bend, Indiana

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' major federal programs for the year ended June 30, 2023. REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates 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 year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 REAL Services, Inc. and Affiliates 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 REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' 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.

*DWC CPA's LLC*

South Bend, Indiana  
February 21, 2024

**REAL SERVICES, INC. AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2023

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**Section I - Summary of Auditor's Results**

*FINANCIAL STATEMENTS*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America- Unmodified

Internal control over financial reporting-

Material weaknesses identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

*FEDERAL AWARDS*

Internal control over major federal programs-

Material weaknesses identified? No

Significant deficiencies identified? 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 2 CFR 200.516(a)? No

Identification of major federal programs-

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.023	COVID-19 Emergency Rental Assistance Program
93.568	Low-Income Home Energy Assistance; COVID-19 Low-Income Home Energy Assistance
93.667	Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs- \$750,000

Auditee qualified as low-risk auditee? No

**REAL SERVICES, INC. AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2023

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**Section II - Financial Statement Findings**

There were no findings in the financial statement audit.

**Section III – Federal Award Finding and Questioned Costs**

There were no findings or questioned costs in the major federal award programs audit.



**Board of Directors**

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- Steven Watts
- Dan Wolfson, J.D.

Karla Ann Fales, CMBA/HcM  
President and CEO

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023**

**Section II - Financial Statement Findings**

**MATERIAL WEAKNESSES**

**Finding 2022-001 – No Management Employee with Adequate Accounting and Finance Education and Experience to Direct and Supervise the Department of Administration and Finance**

**Condition:** The finding was that the Organization did not have an employee with an accounting and finance degree and the experience to adequately manage its financial system and to produce accurate and timely financial information.

**Recommendation:** The auditor recommended that management continue to search for an employee with a four-year accounting degree and the experience necessary to direct and manage its financial operations.

**Current status:** The recommendation was implemented during the year ended June 30, 2023, and no similar finding was noted in the June 30, 2023 audit.

**Finding 2022-002 – Bank Statements Not Reconciled on Timely Basis**

**Condition:** Bank statements were not reconciled on a timely basis in 2022. The statements were reconciled up to six months late during the year.

**Recommendation:** The auditor recommended that management provide adequate resources to the Finance and Administration department to ensure bank statements are accurately reconciled to the general ledger each month on a timely basis.

**Current Status:** The recommendation was implemented during the year ended June 30, 2023, and no similar finding was noted in the June 30, 2023 audit.

**Finding 2022-003 – No Centier Bank Cancelled Check Review**

**Condition:** No one reviewed Centier Bank cancelled check images to verify the disbursements were properly authorized after the former CEO retired in February 2022.

**Recommendation:** The auditor recommended that management verify that the Assistant to the CEO has access to the Centier Bank cancelled checks so she can follow the written procedures in the *Administration and Finance Policy and Procedures Manual*.

**Current Status:** The recommendation was implemented during the year ended June 30, 2023, and no similar finding was noted in the June 30, 2023 audit.

**Finding 2022-004 – Late Bank Deposits**

**Condition:** No bank deposits were made for two months during the second half of the fiscal year.

*Recommendation:* The auditor recommended that management require employees to follow the bank deposit procedures in the *Administration and Finance Policy and Procedures Manual*.

*Current Status:* The recommendation was implemented during the year ended June 30, 2023, and no similar finding was noted in the June 30, 2023 audit.

*Finding 2022-005 – Late Health Insurance Premium Payments*

*Condition:* Monthly health insurance premium payments, including the employees’ portions, to the self-insurance escrow account stopped between February 2022 and August 2022.

*Recommendation:* The auditor recommended that management require monthly payments of employee health insurance to the employee benefit escrow account.

*Current status:* The recommendation was implemented during the year ended June 30, 2023, and no similar finding was noted in the June 30, 2023 audit.

**Section III – Federal Award Findings and Questioned Costs**

*Finding 2022-006 - Low-Income Home Energy Assistance, Assistance Listing No. 93.568 – COVID-19 Funding Not Separately Identified on Schedule of Expenditures of Federal and Nonfederal Awards and Other Errors in the Schedule*

MATERIAL WEAKNESS

*Condition:* The finding was that the Schedule of Expenditures of Federal and Nonfederal Awards (the Schedule) prepared by the Organization did not separately identify American Rescue Plan COVID-19 funding for Assistance Listing No. 93.568 awards. In addition, the Schedule prepared by the Organization contained many pass-through award identification numbers that were not updated from the prior year, mis-identified certain awards as being COVID-19 funded when they weren’t and contained various classification errors.

*Recommendation:* The auditor recommended that management provide adequate resources to the Finance and Administration department to properly manage, track, and report grant awards.

*Current Status:* The recommendation was implemented during the year ended June 30, 2023, and no similar finding was noted in the June 30, 2023 audit.