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B50853

STATE BOARD OF ACCOUNTS  
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)

September 18, 2018


Board of Directors  
Joyce Network, Inc.  
9474 N. 400 W.  
Fountaintown, IN 46130

We have reviewed the report prepared by Joyce Network, Inc. and opined upon by Bogdanoff Dages & Co., PC, Independent Public Accountants, for the period October 1, 2014 to September 30, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Joyce Network, Inc. as of September 30, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on page 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, Bogdanoff Dages & Co., PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner

**JOYCE NETWORK, INC.**  
**(A NON PROFIT ORGANIZATION)**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

For the Years Ended September 30, 2016 and 2015

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Joyce Network, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Joyce Network, Inc. as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017, on our consideration of Joyce Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audits performed in accordance with *Government Auditing Standards* in considering Joyce Network, Inc.'s internal control over financial reporting and compliance.

*Bogdanoff Dages and Co., P. C.*

Indianapolis, IN  
February 28, 2017

STATEMENTS OF FINANCIAL POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,874	\$ 23,372
Accounts receivable - CACFP	<u>223,853</u>	<u>208,989</u>
TOTAL CURRENT ASSETS	<u>245,727</u>	<u>232,361</u>
PROPERTY AND EQUIPMENT:		
Property and equipment	10,397	10,397
Less accumulated depreciation	<u>(10,397)</u>	<u>(10,397)</u>
Undepreciated cost	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 245,727</u></u>	<u><u>\$ 232,361</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable - providers	\$ 203,008	\$ 187,737
Credit Card Payable	<u>-</u>	<u>379</u>
TOTAL CURRENT LIABILITIES	<u>203,008</u>	<u>188,116</u>
TOTAL LIABILITIES	<u>203,008</u>	<u>188,116</u>
NET ASSETS:		
Unrestricted Net Assets	<u>42,719</u>	<u>44,245</u>
TOTAL NET ASSET	<u>42,719</u>	<u>44,245</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 245,727</u></u>	<u><u>\$ 232,361</u></u>

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED REVENUES AND SUPPORT:</b>		
Program revenue - CACFP	\$ 2,706,021	\$ 2,408,478
Fundraising income	<u>566</u>	<u>362</u>
TOTAL INCREASE IN UNRESTRICTED NET ASSETS	<u>2,706,587</u>	<u>2,408,840</u>
<b>EXPENSES:</b>		
Program costs - CACFP provider payments	2,449,459	2,169,735
Payroll expense	195,662	178,101
Payroll taxes	14,968	13,624
Postage	1,084	1,529
Communication	1,117	1,524
Office supplies and expense	1,776	1,679
Printing and reproduction	225	225
Professional fees	9,009	5,857
Advertising	300	275
Travel	19,077	20,663
Membership	193	193
Insurance	1,817	1,771
Contracted technology services	12,202	11,628
Service charge	<u>1,224</u>	<u>2,400</u>
TOTAL DECREASES IN UNRESTRICTED NET ASSETS	<u>2,708,113</u>	<u>2,409,204</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(1,526)	(364)
Unrestricted Net Assets - beginning	<u>44,245</u>	<u>44,609</u>
Unrestricted Net Assets - ending	<u><u>\$ 42,719</u></u>	<u><u>\$ 44,245</u></u>

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

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (1,526)	\$ (364)
Adjustments to reconcile increases in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in operating assets:		
Accounts receivable - CACFP	(14,864)	(20,451)
Increase (decrease) in operating liabilities:		
Accounts payable - providers	15,271	18,687
Total adjustments	407	(1,764)
Net cash provided (used) by operating activities	<u>(1,119)</u>	<u>(2,128)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchases on revolving credit agreements	3,135	3,304
Payment on revolving credit agreements	<u>(3,514)</u>	<u>(3,098)</u>
Net cash (used) by financing activities	<u>(379)</u>	<u>206</u>
Net increase (decrease) in cash	(1,498)	(1,922)
Cash balance at October 1	<u>23,372</u>	<u>25,294</u>
Cash balance at September 30	<u>\$ 21,874</u>	<u>\$ 23,372</u>

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

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Joyce Network, Inc. is a non profit corporation, operating in Fountaintown Indiana, assisting family day care homes that participate in the Federal Child and Adult Care Food Program of the U.S. Department of Agriculture. Funds are passed through the Indiana Department of Education for eligible children under agreement 1730570.

Programs

Joyce Network, Inc. is a sponsor in the Department of Agriculture's Child and Adult Care Food program, which flows through the Indiana Department of Education. A sponsor administers funds that are passed through to licensed child care providers, centers and ministries in Indiana.

Income Tax Status

Joyce Network, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, the financial statements contain no provision for income taxes.

Generally accepted accounting principles in the United States require Joyce Network, Inc. to examine its tax positions for uncertain positions. Joyce Network, Inc. is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities. Joyce Network, Inc.'s policy is to recognize penalties and interest as incurred in its statement of activities as a component of operating expenses, and totaled \$-0- for September 30, 2016 and 2015.

Joyce Network, Inc.'s federal and state income tax returns for fiscal years ended 2013 through 2015 are subject to examination by the applicable

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status - Continued

tax authorities, generally for three years after the later of the original or extended due date.

Donated Services

The value of donated services is not reflected in the accompanying financial statements since there are no objective basis available by which to measure the value of such services.

Accounts Receivable

Accounts receivable - CACFP is recorded at the amount the Organization expects to collect on balances outstanding at year-end. These funds are reimbursed by the federal government and are entirely collectable; therefore, establishing a delinquency policy is not necessary. Management closely monitors outstanding balances and writes off, as of year end, all balances that have not been collected by the time the financial statements are issued. Federal regulations do not allow Joyce Network, Inc. to charge interest on outstanding receivables.

Allowance for Bad Debts

Joyce Network, Inc. uses the allowance for doubtful accounts method to record uncollected receivables. The allowance for doubtful accounts at September 30, 2016 and 2015 was \$-0- and \$-0-, respectively. The Organization incurred bad debts of \$-0- and \$-0- for 2016 and 2015, respectively.

Property and Equipment

Property and equipment are stated at cost and depreciated over the useful life of the asset, five to seven years, using the straight-line method. Management's policy is to capitalize property and equipment with a useful life of more than one year and a cost of \$500 or greater. Routine maintenance and repairs are expensed as incurred. Depreciation expense for the years ended September 30, 2016 and 2015 is \$-0- and \$-0-, respectively.

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, Joyce Network, Inc. considers all highly liquid instruments purchased with maturities of three months or less to be cash and cash equivalents.

Use of Estimates

The process of preparing financial statements in conformity with U. S. generally accepted accounting principles 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 financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Impairment of Long-Lived Assets

Each year, the Organization evaluates whether there has been an impairment that is other than temporary in any of its long-lived assets. Impairment in value is considered to have occurred when the undiscounted future net operating cash flows associated with the long-lived assets are not sufficient to cover the carrying value of the long-lived assets. If it is determined that impairment in value has occurred, the carrying value will be written down to the present value of the future operating cash flows to be generated by the long-lived assets. Management has concluded that no such impairment occurred during the year.

Advertising

The Organization expenses advertising production costs as they are incurred. Advertising expense for the year ending September 30, 2016 and 2015 was \$300 and \$275, respectively.

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, receivables, and other liabilities approximate their estimated fair values as presented in the financial statements.

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Subsequent Events

The Organization has evaluated subsequent events through February 28, 2017, the date of the financial statements were available to be issued. This evaluation determined there are no subsequent events that necessitated further disclosure in and or adjustment to the accompanying financial statements.

Net Assets

The financial statements have been prepared in accordance with Financial Statements of Not-for-Profit Organizations that require, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted. The following class of net assets and a brief description is as follows:

*Unrestricted Net Assets:* The unrestricted net asset includes general assets and liabilities of Joyce Network, Inc. The unrestricted net assets may be used at the direction of management to support Joyce Network, Inc.'s purposes and operations. All Net Assets at September 30, 2016 and 2015 are considered Unrestricted Net Assets.

*Temporarily Restricted Net Assets:* A donor-imposed restriction permits Joyce Network, Inc. to use up or expend the donated assets as specified and is satisfied either by the passage of time or by actions of Joyce Network, Inc. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriate by the Board of Directors. There were no temporarily restricted net assets at September 30, 2016 and 2015.

*Permanently Restricted Net Assets:* A donor-imposed restriction stipulates that resources be maintained permanently, but permits Joyce Network, Inc. to use up or expend part or all of the income (or other

JOYCE NETWORK, INC.  
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Assets - Continued

economic benefits) derived from the donated assets. There were no permanently restricted net assets at September 30, 2016 and 2015.

If Joyce Network, Inc. receives other temporarily restricted contributions, where the restrictions are satisfied during the year, these amounts are shown in the unrestricted column in the statements of activities and changes in net assets. Board of Directors has an option to designate certain contributions as board restricted for future use.

NOTE 2 - ECONOMIC DEPENDENCY

Joyce Network, Inc. receives approximately 99.98% in 2016 and 99.99% in 2015 of its revenue from the Indiana Department of Education (IDE) who, in turn, receives funding from the U.S. Department of Agriculture. Should funding of the Child and Adult Care Food Program cease, Joyce Network, Inc. would not be able to generate sufficient revenue to continue the Child and Adult Care Food Program. As of September 30, 2016 and 2015, \$223,853 and \$208,989, respectively, are due from the IDE and subsequently received.

NOTE 3 - REVOLVING CREDIT AGREEMENTS

Joyce Network, Inc. has several revolving credit agreements with several lending institutions with a maximum borrowing limit of \$3,751. Interest rates range from 10.99% to 24.99% as of September 30, 2016 and 2015, respectively. The balance owing at September 30, 2016 and 2015 was \$-0- and \$-0-, respectively. For the Statement of Cash Flow purpose the borrowing and repayments on the revolving credit agreements are reported as financing activities. The revolving credit agreements are unsecured.

NOTE 4 - ECONOMIC CONCENTRATIONS

Joyce Network, Inc. maintains its cash balance in one financial institution located in Indianapolis, Indiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - DEFINED CONTRIBUTION PLANS

The Organization sponsors a 403 (b) plan for employee's salary deferrals. Employer contributions to the plan for 2016 and 2015 were \$-0- and \$-0- respectively. Joyce Network, Inc.'s contributions are discretionary.

NOTE 7 - FINANCIAL STATEMENT PRESENTATION

Joyce Network, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization only has unrestricted net assets at September 30, 2016 and 2015.

NOTE 8 - CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily, or permanently restricted net assets depending on the existence or nature of any donor restriction.

NOTE 9 - CASH FLOW

Taxes paid in cash for the years ending September 30, 2016 and 2015 was \$-0- and \$-0-, respectively.

Interest paid in cash for the years ending September 30, 2016 and 2015 was \$-0- and \$-0-respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

Joyce Network, Inc. receives an in-kind donation for the use of the office space where Joyce Network, Inc. operates. Joyce Network, Inc. is located in an office owned by the Executive Director. The fair market value for rent in Fountaintown Indiana is undeterminable.

*JOYCE NETWORK, INC.*  
(A NON PROFIT ORGANIZATION)

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



*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  
Joyce Network, Inc.  
Fountaintown, IN

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

We have audited Joyce Network, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Joyce Network, Inc.'s major federal programs for the years ended September 30, 2016 and 2015. Joyce Network, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Joyce Network, Inc.'s compliance.

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

In our opinion, Joyce Network, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended September 30, 2016 and 2015.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2015-001, that we consider to be significant deficiencies.

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

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.

*Bogdanoff Dages and Co., P. C.*

Indianapolis, IN  
February 28, 2017

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

*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*



*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  
Joyce Network, Inc.  
Fountaintown, IN

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Joyce Network, Inc., as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Joyce Network, Inc.'s basic financial statements and have issued our report thereon dated February 28, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2016-001 and 2015-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Joyce Network, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2015-001.

### **Joyce Network, Inc.'s Response to Findings**

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

### **Purpose of this Report**

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

*Bogdanoff Dages and Co., P. C.*

Indianapolis, IN  
February 28, 2017

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

Schedules of Findings and Questioned Costs

For the Years Ended September 30, 2016 and 2015

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

Schedules of Findings and Questioned Costs

For the Years Ended September 30, 2016 and 2015

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

*Financial Statements*

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Joyce Network, Inc. were prepared in accordance with GAAP.
2. One significant deficiency was disclosed during the audit of the financial statements is reported in the 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. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Joyce Network, Inc., which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Joyce Network, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as major program was: The Child and Adult Care Food Program, CFDA # 10.558.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Joyce Network, Inc. was not determined to be a low-risk auditee.

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

Schedules of Findings and Questioned Costs

For the Years Ended September 30, 2016 and 2015

**Section II - Financial Statement Findings**

2016-001 and 2015-001

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions: Joyce Network, Inc. cannot fully segregate duties as outlined in this finding due to restrictions of funding. There are insufficient administrative funds to hire additional employees. However, some duties are being segregated to a limited extent. The mail is being opened and bank deposits are being made by someone other than the person responsible for preparing the bank reconciliations and for maintaining the general ledger.

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The corrective actions taken by Joyce Network, Inc. on the findings from the prior audit report dated May 5, 2015.

Finding Number 1

Statement of Condition: Joyce Network, Inc. was not segregating duties of accounting and administrative responsibilities for internal control purposes.

Status – The Organization has implemented some control procedures to segregate duties. The mail is being opened and bank deposits are being made by someone other than the person responsible for preparing the bank reconciliations and for maintaining the general ledger. See finding 2016-001 and 2015-001.

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

Schedules of Expenditures of Federal Awards  
for the Years Ended September 30, 2016 and 2015

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

Schedules of Expenditures of Federal Awards

For the Years Ended September 30, 2016 and 2015

		<b>2016</b>				
		Pass Through Grantor Number	Expenditures			
<u>Federal Program</u>	<u>CFDA Number</u>		<u>From Pass Through Awards</u>	<u>From Direct Awards</u>	<u>Passed Through To Subrecipients</u>	
Federal Agency Department of Agriculture						
Child and Adult Care Food Program via Indiana Department of Education		10.558	1730570	\$ 2,693,219	\$ -	\$ 2,434,188

		<b>2015</b>				
		Pass Through Grantor Number	Expenditures			
<u>Program Title</u>	<u>CFDA Number</u>		<u>From Pass Through Awards</u>	<u>From Direct Awards</u>	<u>Passed Through To Subrecipients</u>	
Federal Agency Department of Agriculture						
Child and Adult Care Food Program via Indiana Department of Education		10.558	1730570	\$ 2,390,309	\$ -	\$ 2,151,048

The Accompanying notes are an integral part of this schedule.

JOYCE NETWORK, INC.  
(A NON PROFIT ORGANIZATION)

Notes to the Schedules of Expenditures of Federal Awards

For the Years Ended September 30, 2016 and 2015

Note A – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal granting activity of Joyce Network, Inc. and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note B – Risk-Based Audits Approach

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The Organization does not qualify as a low-risk auditee.

Note C – De Minimis

Joyce Network, Inc. has not elected to use the 10-percent de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

Note D– Subrecipients

Of the federal expenditures presented in the schedule, Joyce Network, Inc. provided federal awards to subrecipients of \$2,434,188 for 2016 and \$2,151,048 for 2015.