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February 25, 2021

Board of Directors  
Real Services, Inc.  
1151 S. Michigan St.  
South Bend, IN 46634

We have reviewed the audit report of Real Services, Inc. which was opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. 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, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Cullar & Associates, PC, 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 blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

*CONSOLIDATED FINANCIAL AND COMPLIANCE REPORT*

**REAL SERVICES, INC. AND AFFILIATES**

June 30, 2020 and 2019

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**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 Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of REAL Services, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of REAL Services, Inc. and Affiliates as of June 30, 2020 and 2019, 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.

## ***Other Matters***

### ***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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, 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.

*Cullen & Associates, P.C.*

South Bend, Indiana  
February 17, 2021

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
June 30, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 5,881,876	\$ 4,776,623
Grants and contracts receivable	2,749,193	2,817,539
Investments	3,406,159	2,597,067
Prepaid expenses	6,204	7,583
Beneficial interests in assets held by Community Foundation	1,151,174	1,126,274
Property and equipment	2,585,985	2,280,080
Cash held in escrow for employee benefits	577,209	371,197
Investments held for deferred compensation plan benefits	202,872	200,071
Assets held for others under guardianship	297,024	203,329
<i>Total assets</i>	<u>\$ 16,857,696</u>	<u>\$ 14,379,763</u>
 <b>Liabilities and Net Assets:</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,104,490	\$ 1,218,713
Refundable advances	40,436	44,317
Deferred revenues	99,850	53,700
Accrued employee benefits	577,209	371,197
Accrued deferred compensation plan benefits	217,372	219,071
Liability for assets held under guardianships	297,024	203,329
Note payable, bank, Paycheck Protection Program	830,000	-
<i>Total liabilities</i>	<u>3,166,381</u>	<u>2,110,327</u>
 Net Assets:		
Without donor restrictions:		
Undesignated	6,779,871	7,180,359
Designated by Board for endowment	1,254,787	482,280
Invested in property and equipment	2,585,985	2,280,080
	<u>10,620,643</u>	<u>9,942,719</u>
 With donor restrictions:		
Purpose restricted	2,570,672	1,826,717
Perpetual in nature	500,000	500,000
	<u>3,070,672</u>	<u>2,326,717</u>
<i>Total net assets</i>	<u>13,691,315</u>	<u>12,269,436</u>
<i>Total liabilities and net assets</i>	<u>\$ 16,857,696</u>	<u>\$ 14,379,763</u>

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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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Revenue, Support, and Gains:</b>						
Grants and contracts	\$ 18,481,369	\$ 220,793	\$ 18,702,162	\$ 17,605,942	\$ 200,880	\$ 17,806,822
Program service revenue	972,155	117,260	1,089,415	1,164,798	116,779	1,281,577
Contributions	629,448	924,680	1,554,128	544,471	415,063	959,534
Net investment return	218,028	32,067	250,095	161,213	31,368	192,581
Other	155,957	38,706	194,663	129,493	94,023	223,516
Change in value of beneficial interests in assets held by Community Foundation	10,151	14,749	24,900	65	(680)	(615)
Net assets released from restrictions	604,300	(604,300)	-	784,480	(784,480)	-
<i>Total revenue, support, and gains</i>	<u>21,071,408</u>	<u>743,955</u>	<u>21,815,363</u>	<u>20,390,462</u>	<u>72,953</u>	<u>20,463,415</u>
<b>Expenses:</b>						
Program services expenses:						
Alzheimer's and Dementia Services	166,743	-	166,743	279,624	-	279,624
Area Agency on Aging	509,159	-	509,159	744,040	-	744,040
Case Management	5,112,389	-	5,112,389	4,466,969	-	4,466,969
Community Services	817,135	-	817,135	716,904	-	716,904
COVID-19	1,453,650	-	1,453,650	-	-	-
Energy Assistance	6,586,946	-	6,586,946	6,683,601	-	6,683,601
Foster Grandparents	210,596	-	210,596	208,128	-	208,128
Guardianship	196,815	-	196,815	210,813	-	210,813
Home Health Care	1,720,433	-	1,720,433	1,832,655	-	1,832,655
Nutrition	1,754,615	-	1,754,615	2,282,977	-	2,282,977
Transportation	249,308	-	249,308	278,382	-	278,382
Weatherization	436,890	-	436,890	631,726	-	631,726
<i>Total program services expenses</i>	<u>19,214,679</u>	<u>-</u>	<u>19,214,679</u>	<u>18,335,819</u>	<u>-</u>	<u>18,335,819</u>
Supporting services expenses:						
Management and general	1,040,540	-	1,040,540	838,716	-	838,716
Development and fundraising	138,265	-	138,265	171,902	-	171,902
<i>Total supporting services expenses</i>	<u>1,178,805</u>	<u>-</u>	<u>1,178,805</u>	<u>1,010,618</u>	<u>-</u>	<u>1,010,618</u>
<i>Total expenses</i>	<u>20,393,484</u>	<u>-</u>	<u>20,393,484</u>	<u>19,346,437</u>	<u>-</u>	<u>19,346,437</u>
<b>Change in net assets</b>	677,924	743,955	1,421,879	1,044,025	72,953	1,116,978
Net assets, beginning of year	9,942,719	2,326,717	12,269,436	8,898,694	2,253,764	11,152,458
<i>Net assets, end of year</i>	<u>\$ 10,620,643</u>	<u>\$ 3,070,672</u>	<u>\$ 13,691,315</u>	<u>\$ 9,942,719</u>	<u>\$ 2,326,717</u>	<u>\$ 12,269,436</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, 2020

	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>															
Salaries and wages	\$ 79,692	\$ 306,319	\$ 3,241,026	\$ 299,264	\$ 533,390	\$ 210,201	\$ 60,436	\$ 109,952	\$ -	\$ 631,714	\$ 127,099	\$ 146,128	\$ 606,239	\$ 29,665	\$ 6,381,125
Retirement	3,964	13,549	118,263	16,868	19,281	7,281	2,653	3,864	-	19,259	3,740	10,241	58,815	1,121	278,899
Other benefits	11,988	39,355	782,206	67,777	93,847	22,715	13,162	44,648	-	87,629	8,012	36,310	82,432	1,558	1,291,639
Payroll taxes	5,818	22,788	231,049	21,649	37,129	16,024	4,466	8,291	(5)	48,244	9,893	11,890	44,676	3,165	465,077
<i>Total personnel</i>	<u>101,462</u>	<u>382,011</u>	<u>4,372,544</u>	<u>405,558</u>	<u>683,647</u>	<u>256,221</u>	<u>80,717</u>	<u>166,755</u>	<u>(5)</u>	<u>786,846</u>	<u>148,744</u>	<u>204,569</u>	<u>792,162</u>	<u>35,509</u>	<u>8,416,740</u>
Contract services	-	-	-	-	-	-	-	-	-	-	-	-	66,143	654	66,797
IT services	1,893	1,738	81,895	8,800	3,598	17,821	750	1,181	-	5,340	532	1,753	11,177	1,607	138,085
Food	2,528	707	54,816	-	595,107	-	-	15	201,917	466,738	31	-	24,555	12	1,346,426
Program supplies	3,471	962	8,768	1,401	24,195	300	666	64	-	80,412	447	302	1,168	4,452	126,608
Office supplies	1,180	1,144	20,235	1,839	1,578	12,767	290	888	-	3,153	306	1,925	5,678	1,017	52,000
Duplicating	2,648	1,395	16,370	3,736	2,367	155	298	582	-	3,399	1,248	405	3,043	5,046	40,692
Recognition	-	-	1,812	-	-	424	1,652	-	-	-	-	-	4,646	163	8,697
Communications	2,953	1,727	33,318	1,483	8,842	4,756	1,210	2,222	-	13,876	3,034	3,561	3,686	816	81,484
Postage	2,777	1,418	16,275	879	3,007	11,231	1,101	895	-	2,408	429	1,181	32,645	5,543	79,789
Occupancy	20,880	10,315	261,537	30,614	24,906	102,991	3,351	10,003	-	187,765	3,332	10,126	11,010	19,077	695,907
Insurance	4,575	940	19,189	1,483	99	3,793	752	562	-	11,140	626	5,526	3,495	104	52,284
Printing and advertising	2,598	13,395	7,495	156	403	11,536	69	692	-	837	167	226	6,462	2,803	46,839
Vehicle expenses	-	168	281	32	16,014	-	4,475	-	-	46,380	32,256	5,964	-	-	105,570
Travel and conferences	3,447	7,519	57,518	5,698	1,632	1,497	890	2,908	-	15,787	-	587	2,150	891	100,524
Dues and subscriptions	2,773	16,516	18,124	13,280	2,881	20	158	189	-	2,033	10	-	780	3,474	60,238
Assistance to individuals	9,583	63,702	70,806	321,836	77,519	6,152,047	113,533	7,601	1,517,621	49,975	33	200,309	-	-	8,584,565
Training	150	1,264	8,060	14,927	24	-	-	-	-	-	-	456	4,833	-	29,714
Equipment expense	2,261	1,355	55,943	5,313	6,912	11,287	195	2,231	-	9,203	7,677	-	(10,652)	805	92,530
Equipment depreciation	-	-	-	-	-	-	-	-	-	44,334	37,471	-	31,477	-	113,282
Other	1,564	2,883	7,403	100	919	100	489	27	900	24,989	12,965	-	46,082	56,292	154,713
<i>Totals</i>	<u>\$ 166,743</u>	<u>\$ 509,159</u>	<u>\$ 5,112,389</u>	<u>\$ 817,135</u>	<u>\$ 1,453,650</u>	<u>\$ 6,586,946</u>	<u>\$ 210,596</u>	<u>\$ 196,815</u>	<u>\$ 1,720,433</u>	<u>\$ 1,754,615</u>	<u>\$ 249,308</u>	<u>\$ 436,890</u>	<u>\$ 1,040,540</u>	<u>\$ 138,265</u>	<u>\$ 20,393,484</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, 2019

	Alzheimer's and Dementia Services	Area Agency on Aging	Case Management	Community Services	Energy Assistance	Foster Grandparents	Guardian- ship	Home Health Care	Nutrition	Transportation	Weatherization	Management and General	Development and Fundraising	Totals
<b>Personnel:</b>														
Salaries and wages	\$ 149,563	\$ 411,643	\$ 2,756,216	\$ 268,404	\$ 205,700	\$ 58,318	\$ 123,062	\$ -	\$ 786,709	\$ 156,369	\$ 165,688	\$ 500,847	\$ 70,870	\$ 5,653,389
Retirement	5,607	16,103	114,551	20,282	7,515	2,577	6,063	-	24,633	4,323	7,787	23,078	3,388	235,907
Other benefits	26,406	39,472	680,532	65,892	22,228	16,008	50,879	-	121,218	10,643	25,555	81,825	786	1,141,444
Payroll taxes	11,002	29,726	199,597	19,279	15,628	4,291	7,997	-	59,909	12,210	12,692	37,526	5,386	415,243
<i>Total personnel</i>	<u>192,578</u>	<u>496,944</u>	<u>3,750,896</u>	<u>373,857</u>	<u>251,071</u>	<u>81,194</u>	<u>188,001</u>	<u>-</u>	<u>992,469</u>	<u>183,545</u>	<u>211,722</u>	<u>643,276</u>	<u>80,430</u>	<u>7,445,983</u>
Contract services	-	-	-	-	-	-	-	-	-	-	-	72,155	1,961	74,116
IT services	1,998	2,916	57,658	3,037	13,505	1,054	1,201	-	6,414	1,036	-	4,059	1,082	93,960
Food	113	112	24,051	99	-	42	8	7,303	728,786	-	-	278	111	760,903
Program supplies	10,086	8,560	11,892	229	-	1,547	78	-	91,812	669	379	582	2,691	128,525
Office supplies	933	1,816	23,494	1,869	13,239	467	681	-	4,320	581	2,430	6,145	867	56,842
Duplicating	2,110	2,055	13,925	3,736	649	269	424	-	3,439	1,392	489	3,129	7,099	38,716
Recognition	143	94	1,382	280	554	950	189	-	1,944	189	129	1,365	-	7,219
Communications	4,824	2,463	27,227	1,280	7,487	1,096	2,208	-	18,903	4,965	3,494	3,382	743	78,072
Postage	1,756	3,427	12,269	1,000	10,633	1,258	1,004	-	3,243	849	1,914	27,737	2,245	67,335
Occupancy	26,425	16,856	251,650	30,813	55,569	3,433	9,699	-	195,310	4,979	20,824	11,234	19,619	646,411
Insurance	5,003	1,787	18,169	1,741	3,431	844	675	-	11,223	798	6,606	2,421	154	52,852
Printing and advertising	4,272	12,588	5,611	1,080	7,954	114	348	-	2,136	131	357	4,646	3,985	43,222
Vehicle expenses	-	2,589	10	-	-	2,595	174	-	41,440	40,485	5,372	-	-	92,665
Travel and conferences	9,904	10,707	64,284	5,392	1,740	460	4,683	-	18,837	-	1,598	2,067	1,532	121,204
Dues and subscriptions	2,266	19,714	13,870	5,651	1	1,676	501	-	678	1	-	311	2,338	47,007
Assistance to individuals	14,472	150,989	142,187	283,122	6,288,542	110,957	302	1,823,403	57,208	685	376,733	-	-	9,248,600
Training	779	1,310	1,188	313	-	9	-	198	-	240	2,763	1,372	-	8,172
Equipment expense	293	3,402	44,983	4,366	17,569	68	614	-	21,417	62	(188)	2,870	483	95,939
Equipment depreciation	-	-	-	-	-	-	-	-	67,119	37,471	1,585	32,639	-	138,814
Other	1,669	5,711	2,223	(961)	11,657	95	23	1,751	16,279	304	(4,481)	19,048	46,562	99,880
<i>Totals</i>	<u>\$ 279,624</u>	<u>\$ 744,040</u>	<u>\$ 4,466,969</u>	<u>\$ 716,904</u>	<u>\$ 6,683,601</u>	<u>\$ 208,128</u>	<u>\$ 210,813</u>	<u>\$ 1,832,655</u>	<u>\$ 2,282,977</u>	<u>\$ 278,382</u>	<u>\$ 631,726</u>	<u>\$ 838,716</u>	<u>\$ 171,902</u>	<u>\$ 19,346,437</u>

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, 2020 and 2019

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<b>Change in Cash and Cash Equivalents:</b>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from grants and contracts, program services, contributions, and others	\$ 15,794,110	\$ 14,098,700
Investment income received	153,911	125,720
Payments for salaries, benefits, and payroll taxes	(8,386,658)	(7,378,037)
Payments to vendors	(6,090,748)	(5,716,479)
Payments of income taxes	<u>(2,265)</u>	<u>(2,906)</u>
<i>Net cash provided by operating activities</i>	<u>1,468,350</u>	<u>1,126,998</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(492,817)	(140,619)
Purchase of investments	(742,362)	(2,653,004)
Proceeds from sale of investments	<u>42,082</u>	<u>130,278</u>
<i>Net cash (used in) investing activities</i>	<u>(1,193,097)</u>	<u>(2,663,345)</u>
Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Loan	<u>830,000</u>	<u>-</u>
<b>Net change in cash and cash equivalents</b>	1,105,253	(1,536,347)
Cash and cash equivalents, beginning of year	<u>4,776,623</u>	<u>6,312,970</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 5,881,876</u>	<u>\$ 4,776,623</u>
 <b>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Change in net assets	\$ 1,421,879	\$ 1,116,978
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	186,912	203,330
Investment (gains)	(108,812)	(74,341)
Changes in assets and liabilities:		
Grants and contracts receivable	68,346	(78,957)
Prepaid expenses	1,379	(676)
Beneficial interests in assets held by		
Community Foundation	(24,900)	615
Accounts payable and accrued liabilities	(118,723)	15,801
Refundable advances	(3,881)	(14,205)
Deferred revenues	<u>46,150</u>	<u>(41,547)</u>
<i>Net cash provided by operating activities</i>	<u>\$ 1,468,350</u>	<u>\$ 1,126,998</u>

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

**REAL SERVICES, INC. AND AFFILIATES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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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.

**REAL SERVICES, INC. AND AFFILIATES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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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.
- The allocation of expenses among functions. Expenses that are directly identifiable with functions are charged to those functions. Expenses related to more than one function are allocated to functions based on estimates of employee time spent on functions, space used by function, and other factors driving costs.

*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 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.

**REAL SERVICES, INC. AND AFFILIATES**  
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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.

*Revenue and Revenue Recognition:*

As discussed later in this note, effective July 1, 2019, we adopted new revenue recognition guidance for contracts with customers using the modified retrospective transition method, applying the guidance to contracts with customers that were not substantially complete at that date.

*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 grant 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.

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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.

We use certain facilities for our Nutrition program without charge or at reduced charge, and the difference between the fair value for the use of these facilities and the cost is recorded as revenue and expense. For both of the years ended June 30, 2020 and 2019, we recognized \$145,048 for use of such facilities.

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. We recognized \$5,711,825 and \$5,892,995 of revenue and expense for the years ended June 30, 2020 and 2019, respectively, for such payments made by IHCDA.

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. 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 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, 2020 and 2019, we earned \$666,083 and \$826,186, respectively, for such services, which are reported as 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.

*Paycheck Protection Program Loan:*

As discussed in Note 8, we borrowed \$830,000 under the Paycheck Protection Program of the Small Business Administration (SBA). Although we expect to apply for forgiveness of this loan within the next year and believe that most of it will be forgiven, we have elected to treat the loan as a financial liability and not as a grant that is expected to be forgiven. Consequently, we will not recognize any income from the forgiveness of this loan unless and until it is forgiven by the SBA.

**REAL SERVICES, INC. AND AFFILIATES**  
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*Functional Allocation of Expenses:*

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The 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).

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, 2020 or 2019, 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, 2017.

*Advertising:*

Advertising costs are expensed when incurred. Advertising expense was \$3,247 and \$3,450 for the years ended June 30, 2020 and 2019.

*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

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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 Changes:*

Effective July 1, 2019, we adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which superseded most revenue recognition guidance as well as certain cost recognition guidance. That update, together with other clarifying updates, requires that the recognition of revenue for the transfer of goods or services to customers reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The update also requires additional qualitative and quantitative disclosures about the nature, amount, timing, and uncertainty of revenues and cash flows arising from customer contracts, including significant judgments and changes in judgments and information about contract balances and performance obligations.

We adopted the new revenue recognition guidance using the modified retrospective method for contracts not substantially complete at July 1, 2019. However, we determined that there was no material difference between revenue previously reported from such contracts and revenue determined under the new guidance, and so no cumulative adjustment has been made to net assets at July 1, 2019. The effect on the 2020 financial statements of adopting the new guidance was not material.

Effective July 1, 2019, we also adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance for distinguishing between contributions and exchange transactions and between conditional and unconditional contributions. Under that standard, any changes are applied only to that portion of revenue not yet recognized at July 1, 2019 and no prior period results are restated and no cumulative-effect adjustment is made to net assets at July 1, 2019. We determined that there was no material difference between revenue previously reported from contributions and revenue determined under the new guidance.

Certain revenue and support in the 2019 statement of activities have been reclassified to conform to their presentation in the 2020 statement. The reclassifications had no effect on total revenue, support, and gains or on the change in net assets.

*Subsequent Events:*

The date through which events occurring subsequent to June 30, 2020 have been evaluated for possible adjustment to the financial statements or disclosure is February 17, 2021, 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, 2020 and 2019 are as follows:

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	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,311,204	\$ 2,949,906
Grants and contracts receivable	2,749,193	2,817,539
Investments	2,643,803	2,597,067
Distributions from-		
Endowment investments	-	-
Beneficial interests in assets held by Community Foundation	<u>26,047</u>	<u>25,051</u>
<i>Total financial assets available     for general expenditure</i>	<u>\$ 8,730,247</u>	<u>\$ 8,389,563</u>

We also maintain a \$500,000 line of credit (see Note 8) to supplement our operating needs if necessary.

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 \$997,937 (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, 2020, we received approximately \$3,755,000 in conditional promises to give in excess of allowable costs incurred under cost-reimbursable and fee-for-service awards, which will be recognized as revenue if and when allowable costs are incurred or services rendered.

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**NOTE 4. INVESTMENTS INFORMATION**

Investments consist of the following at June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Mutual income funds	\$ 1,127,838	\$ 879,535
Mutual equity funds	2,171,595	1,626,388
Mutual alternative investment funds	<u>106,726</u>	<u>91,144</u>
<i>Total investments</i>	<u>\$ 3,406,159</u>	<u>\$ 2,597,067</u>

Net investment return consists of the following for the years ended June 30, 2020 and 2019, respectively:

Interest on cash and cash equivalents	\$ 23,519	\$ 18,476
Interest and dividends on investments	74,196	52,791
Realized investment gains	42,082	35,423
Unrealized investment gains	66,730	38,918
Investment fees	(12,628)	(7,480)
Distributions from beneficial interest in assets held by Community Foundation	<u>56,196</u>	<u>54,453</u>
<i>Net investment return</i>	<u>\$ 250,095</u>	<u>\$ 192,581</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 \$1,151,174 and \$1,126,274 at June 30, 2020 and 2019, 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, 2020 and 2019 was \$24,900 and (\$615), respectively, which is included in revenue in the accompanying consolidated statements of activities. We received distributions from those portions of the funds of \$56,196 and \$54,453 during the years ended June 30, 2020 and 2019, 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, 2020 and 2019 was \$4,316,977 and \$4,214,315, respectively. We received distributions from those portions of the funds of \$201,413 and \$176,736 during the years ended June 30, 2020 and 2019, respectively, which are included in contributions revenue.

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**NOTE 6. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Land	\$ 207,630	\$ 182,930
Buildings	3,684,315	3,216,199
Leasehold improvements	48,411	48,411
Program equipment	235,257	235,257
Vehicles	981,294	981,294
Office equipment	<u>238,801</u>	<u>238,801</u>
	5,395,708	4,902,892
Less accumulated depreciation	<u>(2,809,723)</u>	<u>(2,622,812)</u>
<i>Net property and equipment</i>	<u>\$ 2,585,985</u>	<u>\$ 2,280,080</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, 2020 and 2019, respectively, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>June 30, 2020:</i>				
Investments	\$ 3,406,159	\$ 3,406,159	\$ -	\$ -
Beneficial interests in assets held by Community Foundation	<u>1,151,174</u>	<u>-</u>	<u>-</u>	<u>1,151,174</u>
<i>Totals</i>	<u>\$ 4,557,333</u>	<u>\$ 3,406,159</u>	<u>\$ -</u>	<u>\$ 1,151,174</u>
<i>June 30, 2019:</i>				
Investments	\$ 2,597,067	\$ 2,597,067	\$ -	\$ -
Beneficial interests in assets held by Community Foundation	<u>1,126,274</u>	<u>-</u>	<u>-</u>	<u>1,126,274</u>
<i>Totals</i>	<u>\$ 3,723,341</u>	<u>\$ 2,597,067</u>	<u>\$ -</u>	<u>\$ 1,126,274</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, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Beginning fair value	\$ 1,126,274	\$ 1,126,889
Distributions	(56,196)	(54,453)
Change in value	<u>81,096</u>	<u>53,838</u>
<i>Ending fair value</i>	<u>\$ 1,151,174</u>	<u>\$ 1,126,274</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, 2020 and 2019, respectively.

**NOTE 8. DEBT INFORMATION**

In April 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act, which includes the Paycheck Protection Program (PPP), was enacted into law. PPP is a loan program through U.S. Small Business Administration (SBA) and its participating banks in which loans can be forgiven for expenditures of loan proceeds incurred in the eight or twenty-four weeks following the origination date of the loan for certain payroll costs, rents, mortgage interest, and utilities. The amount forgiven is reduced proportionally by any reduction in employees retained or in payroll reduced. In May 2020 we received a PPP loan for \$830,000. The loan has no collateral or guarantees, is subject to an interest rate of 1%, with payments of principal and interest beginning in December 2020, and is due in full in May 2022. Although we expect to apply for forgiveness of this loan within the next year and believe that most of it will be forgiven, we have elected to

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treat the loan as a financial liability and not as a grant that is expected to be forgiven. Consequently, we will not recognize any income from the forgiveness of this loan unless and until it is forgiven by the SBA.

Maturities of the loan for each of the next two years at June 30, 2020 are as follows:

2021	\$ 318,751
2022	<u>511,249</u>
<i>Total</i>	<u>\$ 830,000</u>

We maintain a \$500,000 bank line of credit, bearing interest at 35 basis points below prime, collateralized by substantially all our assets except real estate. No borrowings were outstanding on the line at either June 30, 2020 or 2019.

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

Net assets with donor restrictions are restricted for the following periods or purposes at June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purposes:		
Meal Program	\$ 650,989	\$ 514,290
Weatherization	38,259	41,551
Local crime victims	32,999	32,999
Care transitions	17,666	17,666
Caregiver Connection	473,164	393,156
Client self-sufficiency programs	29,967	29,967
Utility assistance programs	37,242	38,014
Guardianship programs	135,117	137,581
Alzheimer's programs	136,994	130,479
Kitchen project	243,760	243,760
Transportation vans	86,168	43,371
Foster Grandparents	55,915	36,003
Case Management	125,704	120,000
Meals on Wheels	34,215	-
Food truck	26,839	44,381
Milton Village	442,175	-
Other	<u>3,499</u>	<u>3,499</u>
	<u>2,570,672</u>	<u>1,826,717</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>\$ 3,070,672</u>	<u>\$ 2,326,717</u>

Net assets were released from restrictions by incurring expenses satisfying restricted purposes specified by donors as follows for the years ended June 30, 2020 and 2019, respectively:

**REAL SERVICES, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
Case Management	\$ 16,357	\$ 18,757
Caregiver Connection	11	61,741
Meals on Wheels	9,140	7,504
Utility assistance programs	20,023	20,752
Guardianship programs	197,121	193,027
Alzheimer's program	181,836	301,373
Meal program	69,094	27,130
Food truck	56,838	140,619
Transportation	20,743	11,071
Weatherization program	4,192	1,006
Milton Village	28,945	-
Internships	-	2,500
<i>Total net assets released</i>	<u>\$ 604,300</u>	<u>\$ 784,480</u>

**NOTE 10. ENDOWMENT INFORMATION**

Our endowment (the Endowment) consists of funds held at a local financial institution and 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, 2020 and 2019, 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

**REAL SERVICES, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

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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, 2020 and 2019, respectively:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<u>At June 30, 2020</u>			
Board-designated endowment funds	\$ 997,937	\$ -	\$ 997,937
Donor-restricted endowment funds	-	256,850	256,850
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	-	500,000	500,000
<i>Totals</i>	<u>\$ 997,937</u>	<u>\$ 756,850</u>	<u>\$1,754,787</u>
<u>At June 30, 2019</u>			
Board-designated endowment funds	\$ 482,280	\$ -	\$ 482,280
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	-	500,000	500,000
<i>Totals</i>	<u>\$ 482,280</u>	<u>\$ 500,000</u>	<u>\$ 982,280</u>

Changes in the Endowment for the years ended June 30, 2019 and 2020, respectively, are as follows:

Balances June 30, 2018	\$ 482,215	\$ 500,000	\$ 982,215
Investment return	23,149	30,688	53,837
Distributions by Community Foundation	(23,084)	(30,688)	(53,772)
<i>Balances June 30, 2019</i>	482,280	500,000	982,280
Contributions	500,000	237,264	737,264
Investment return	39,786	66,402	106,188
Distributions by Community Foundation	(24,129)	(46,816)	(70,945)
<i>Balances June 30, 2020</i>	<u>\$ 997,937</u>	<u>\$ 756,850</u>	<u>\$ 1,754,787</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.

**REAL SERVICES, INC. AND AFFILIATES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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*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%

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. LEASE INFORMATION**

We lease certain facilities and equipment under non-cancelable operating leases expiring in various months through July 2024. Minimum future rental payments under these leases as of June 30, 2020 for each of the next five years and in the aggregate are as follows:

2021	\$ 91,496
2022	69,480
2023	24,503
2024	24,503
2025	<u>2,041</u>
<i>Total minimum future rental payments</i>	<u>\$ 212,023</u>

Total rent expense for these and other short-term leases was \$152,513 and \$124,385 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 12. 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 \$278,899 and \$235,907 for the years ended June 30, 2020 and 2019, 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

**REAL SERVICES, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

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, 2020 and 2019, 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 \$202,872 and \$200,071 at June 30, 2020 and 2019, 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 \$41,050 and \$38,000, respectively, for the years ended June 30, 2020 and 2019.

**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, 2020, approximately 85% of total revenues were from state and federal government sources, with approximately 36% of total revenues from Indiana Housing and Community Development Authority, 31% from Indiana Family and Social Services Administration, and 14% from Indiana Medicaid. For the year ended June 30, 2019, approximately 86% of total revenues were from state and federal government sources, with approximately 41% of total revenues from Indiana Housing and Community Development Authority, 30% from Indiana Family and Social Services Administration, and 13% 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, 2020 we had approximately \$5,308,000 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.

**NOTE 14. UNCERTAINTIES REGARDING PANDEMIC**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 23, 2020 the Governor of Indiana declared a health emergency and issued an executive order that closed all nonessential businesses, ordered residents to stay-at-home, and placed restrictions on public gatherings until further notice. The order was lifted in May 2020, but is subject to reinstatement.

The pandemic has, to some extent, shifted the sources of our revenue, but thanks to the support of so many, we have been able increase the level of our services and have not been negatively impacted to date. The effect of the pandemic on our future operations and sources of revenue cannot be reasonably estimated at this time.

**REAL SERVICES, INC. AND AFFILIATES**  
**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS**  
Year Ended June 30, 2020

<u>Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Provided Through to Subrecipients</u>	<u>Total Expenditures</u>
<b>Federal Assistance</b>				
<i>Department of Housing and Urban Development:</i>				
CDBG - Entitlement Grants Cluster:				
Passed-through City of Mishawaka:				
Community Development Block Grant/ Entitlement Grants	14.218	n/a	\$ -	\$ 10,000
Passed-through City of South Bend:				
Community Development Block Grant/ Entitlement Grants	14.218	18-JC-31	-	34,259
<i>Total CDBG - Entitlement Grants Cluster</i>			-	44,259
<i>Total Department of Housing and Urban Development</i>			-	44,259
<i>Department of Energy:</i>				
Passed-through Indiana Housing and Community Development Authority:				
Weatherization Assistance for Low-Income Persons	81.042	WX-019-020 & WX-020-020	-	174,590
<i>Department of Health and Human Services:</i>				
Passed-through Indiana Family and Social Services Administration:				
Special Programs for the Aging-Title VII, Chapter 2-				
Long-Term Care Ombudsman Services for				
Older Individuals	93.042	38304	-	24,321
Special Programs for the Aging-Title III, Part D-				
Disease Prevention and Health Promotion Services	93.043	38304	-	48,034
<i>Aging Cluster:</i>				
Special Programs for the Aging-Title III, Part B-				
Grants for Supportive Services and Senior Centers				
COVID-19 Special Programs for the Aging-Title III, Part B-	93.044	38304	-	153,680
COVID-19 Grants for Supportive Services and				
Senior Centers	93.044	42907	-	60,132
Special Programs for the Aging-Title III, Part B-				
Grants for Supportive Services and Senior Centers				
COVID-19 Special Programs for the Aging-Title III, Part B-	93.044	38304	222,388	707,733
COVID-19 Special Programs for the Aging-Title III, Part B-				
Grants for Supportive Services and Senior Centers				
Special Programs for the Aging-Title III, Part C-	94.044	42907	45,665	299,214
Nutrition Services				
COVID-19 Special Programs for the Aging-Title III,	93.045	38304	156,204	936,877
Part C- Nutrition Services				
Nutrition Services Incentive Program	93.045	42907	73,774	1,036,040
	93.053	38304	-	173,598
<i>Total Aging Cluster</i>			498,031	3,367,274
National Family Caregiver Support, Title III, Part E	93.052	38304	-	91,032

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, 2020

<u>Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Provided Through to Subrecipients</u>	<u>Total Expenditures</u>
COVID-19 National Family Caregiver Support, Title III, Part E	93.052	42907	-	48,380
Social Services Block Grant	93.667	38304	-	914,577
<i>Medicaid Cluster:</i>				
Medical Assistance Program	93.778	35611	-	561,650
<i>Total Medicaid Cluster</i>			-	561,650
Passed-through Indiana Association of Area Agencies on Aging: Special Programs for the Aging, Title IV and Title II, Discretionary Projects				
	93.048	n/a	-	4,310
Passed-through Indiana Housing and Community Development Authority:				
Low-Income Home Energy Assistance	93.568	LI-018-020 & LI-019-020	-	6,558,396
COVID-19 Low-Income Home Energy Assistance	93.568	LI-CV-020-020	-	5,600
Low-Income Home Energy Assistance	93.568	WL-019-020 & WL-020-020	-	298,462
<i>Total low-income home energy assistance</i>			-	6,862,458
Passed-through Indiana Department of Insurance: Affordable Care Act - Medicare Improvements for Patients and Providers				
	93.518	n/a	-	425
Passed-through Indiana Housing and Community Development Authority: <i>477 Cluster:</i>				
Community Services Block Grant	93.569	CS-019-020 & CS-020-020	254,607	906,688
COVID-19 Community Services Block Grant	93.569	CS-019-020 & CS-020-020	-	9,101
<i>Total 477 Cluster</i>			254,607	915,789
<i>Total Department of Health and Human Services</i>			752,638	12,838,250
<i>Corporation for National and Community Service:</i> <i>Foster Grandparent/Senior Companion Cluster:</i>				
Foster Grandparent Program	94.011	15SFNIN005	-	202,128
<i>Department of Homeland Security:</i> Passed-Through Emergency Food and Shelter National Board: Emergency Food and Shelter National Board Program				
	97.024	n/a	-	5,000
<b><i>Total expenditures of federal awards</i></b>			<b>\$ 752,638</b>	<b>\$ 13,264,227</b>

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, 2020

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<u>Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Provided Through to Subrecipients</u>	<u>Total Expenditures</u>
<b>Nonfederal Assistance</b>				
<i>State of Indiana:</i>				
<i>Passed-Through Indiana Family and Social Services Administration:</i>				
CHOICE		36105	\$ -	\$ 2,067,627
Older Hoosier Act		36105	-	120,569
State Low Income Home Energy Assistance		WS -019-020 & WS-020-020	-	200
Low-Income Home Energy Assistance		WS-019-020 & WS-020-020	-	1,468
Medicaid reimbursements		n/a	-	3,100,303
Indiana Supreme Court - VASIA		n/a	-	59,229
<i>Total expenditures of state awards</i>			-	5,349,396
<i>Local Area Agency:</i>				
Area 12 Liaison		n/a	-	15,548
<i>Total expenditures of nonfederal awards</i>			\$ -	\$ 5,364,944

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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, 2020

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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, 2020. 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, CFDA #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 \$5,711,625 and \$200 are included in federal and nonfederal expenditures, respectively, in the accompanying Schedule.

**NOTE 3. INDIRECT COST RATE**

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



# CULLAR & ASSOCIATES, PC

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2020, 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 17, 2021.

### 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 of 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 deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### 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 the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cullen & Associates, P.C.*

South Bend, Indiana  
February 17, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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

We have audited REAL Services, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of REAL Services, Inc. and Affiliates' major federal programs for the year ended June 30, 2020. 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.

***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 REAL Services, Inc. and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' compliance.

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

In our opinion, REAL Services, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**Report on Internal Control over Compliance**

Management of REAL Services, Inc. and Affiliates 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 REAL Services, Inc. and Affiliates' 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 REAL Services, Inc. and Affiliates' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Cullen & Associates, P.C.*

South Bend, Indiana  
February 17, 2021

**REAL SERVICES, INC. AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2020

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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-

CFDA Number

Name of Federal Program or Cluster

93.568

Low-Income Home Energy Assistance

94.011

Foster Grandparents/Senior Companion Cluster

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

Auditee qualified as low-risk auditee? Yes

**REAL SERVICES, INC. AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2020

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**Section II - Financial Statement Findings**

There were no financial statement findings.

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

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



## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2020



### Section II - Financial Statement Findings

#### SIGNIFICANT DEFICIENCY

#### FINDING 2019-001- ACCOUNTING FOR PAYMENTS MADE ON THE ORGANIZATION'S BEHALF

*Condition:* An audit adjustment was proposed, and was made by management, to correct the amount revenue and expenses recorded for energy assistance payments made directly by a funding source on the Organization's behalf.

*Recommendation:* The auditor recommended that accounting personnel obtain a better understanding of the parameters of the "EAP Weekly Call-In Report" that reports information for the grant period, which generally differs from the fiscal year, when generating information to record in the financial statements and the schedule of expenditures of federal and nonfederal awards, and that a system be developed to ensure that only expenditures made during the Organization's fiscal year be recorded.

*Current status:* The recommendation was implemented during the year ended June 30, 2020, and no similar finding was noted in the June 30, 2020 audit.

Real Services, Inc.  
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Toll Free: 800.552.2916  
Fax: 574.284.2642

Alzheimer's &  
Dementia Services  
574.232.4121  
Help: 888.303.0180  
Fax: 574.232.4235

Community Services  
574.284.2060

Energy Assistance  
574.232.6501  
800.225.3367  
Fax: 574.236.4891

Meals on Wheels  
Nutrition Services  
574.256.1649

Case Management  
Offices  
Elkhart Co.  
574.322.4185  
Kosciusko Co.  
574.269.1173  
LaPorte Co.  
219.324.4199  
Marshall Co.  
574.936.3175  
St. Joseph Co.  
574.284.2644  
800.552.7928 (Indiana)