



STATE OF INDIANA
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April 16, 2021

Board of Directors
Gateway Services, Inc.
3500 North Morton
Franklin, IN 46131

We have reviewed the audit report of Gateway Services, Inc. which was opined upon by Pile CPAs, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Gateway Services, Inc. as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner



GATEWAY SERVICES, INC.

FINANCIAL REPORT

December 31, 2019



A Future Without Limits



**Gateway
Services, Inc**

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS:	
Statements of Financial Position	5
Statements of Activities	6 - 7
Statements of Functional Expenses	8 - 9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 20
REPORTS AND SCHEDULES IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE:	
Schedule of Expenditures of Federal Awards	21
Notes to the Schedule of Expenditures of Federal Awards	22
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	23-24
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by The Uniform Guidance	25-26
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Audit Findings	28

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gateway Services, Inc.
Franklin, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Gateway Services, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, 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. 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.

INDEPENDENT AUDITOR'S REPORT - continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Services, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

Our audits were 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 audits 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 November 9, 2020, on our consideration of Gateway Services, 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 audit performed in accordance with *Government Auditing Standards* in considering Gateway Services, Inc.'s internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements as of December 31, 2018 were audited by Mid-America Audit & Tax, Inc., who merged with Pile CPAs as of November 1, 2019, and whose report dated September 26, 2019, expressed an unmodified opinion on those statements.

Pile CPAs

Indianapolis, Indiana

November 9, 2020

GATEWAY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 123,965	\$ 26,778
Cash - fiscal agents	23,267	14,986
Grants receivable less allowance for doubtful accounts - 2019 and 2018: \$30,000	589,144	413,440
Prepaid expenses	<u>43,012</u>	<u>13,078</u>
TOTAL CURRENT ASSETS	<u>779,388</u>	<u>468,282</u>
 <u>PROPERTY AND EQUIPMENT</u>, net	 <u>685,374</u>	 <u>746,086</u>
TOTAL ASSETS	\$ <u>1,464,762</u>	\$ <u>1,214,368</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Line of credit	\$ 358,288	\$ 30,500
Current maturities of long-term debt	36,762	26,080
Accounts payable	259,187	364,176
Accrued wages and payroll taxes	147,096	146,760
Agency funds due to fiscal agents	23,267	14,986
Other accrued expenses	<u>29,952</u>	<u>26,880</u>
TOTAL CURRENT LIABILITIES	<u>854,552</u>	<u>609,382</u>
 <u>LONG-TERM DEBT</u>, less current maturities	 <u>52,625</u>	 <u>49,200</u>
<u>NET ASSETS</u>		
Without donor restrictions	183,933	167,198
With donor restrictions	<u>373,652</u>	<u>388,588</u>
TOTAL NET ASSETS	<u>557,585</u>	<u>555,786</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,464,762</u>	\$ <u>1,214,368</u>

See Notes to Financial Statements.

GATEWAY SERVICES, INC.

STATEMENTS OF ACTIVITIES

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Grants and contracts	\$ 1,276,348	\$ 136,807	\$ 1,413,155
Other grants	15,491	15,000	30,491
United Way	166,496	-	166,496
Local government match	237,258	-	237,258
Other contributions	14,935	-	14,935
Special events	34,300	-	34,300
	<u>1,744,828</u>	<u>151,807</u>	<u>1,896,635</u>
Fees for service	702,767	-	702,767
Transportation fares	80,688	-	80,688
Contract services and 3rd party pay	48,532	-	48,532
Vehicle advertisement	39,333	-	39,333
Miscellaneous	10,260	-	10,260
Gain (loss) on sale of asset	6,525	-	6,525
Net assets released from restrictions	166,743	(166,743)	-
	<u>1,054,848</u>	<u>(166,743)</u>	<u>888,105</u>
TOTAL SUPPORT AND REVENUE	<u>2,799,676</u>	<u>(14,936)</u>	<u>2,784,740</u>
 <u>EXPENSES</u>			
Program services	2,516,880	-	2,516,880
Support services	266,061	-	266,061
	<u>2,782,941</u>	<u>-</u>	<u>2,782,941</u>
CHANGE IN NET ASSETS	16,735	(14,936)	1,799
 <u>NET ASSETS</u>			
Beginning of year	<u>167,198</u>	<u>388,588</u>	<u>555,786</u>
End of year	<u>\$ 183,933</u>	<u>\$ 373,652</u>	<u>\$ 557,585</u>

See Notes to Financial Statements.

GATEWAY SERVICES, INC.

STATEMENTS OF ACTIVITIES - continued

Year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Grants and contracts	\$ 1,145,551	\$ 236,362	\$ 1,381,913
Other grants	93,364	-	93,364
United Way	118,759	-	118,759
Local government match	229,438	-	229,438
Other contributions	28,226	-	28,226
Special events	52,128	-	52,128
	<u>1,667,466</u>	<u>236,362</u>	<u>1,903,828</u>
Fees for service	718,360	-	718,360
Transportation fares	73,574	-	73,574
Contract services and 3rd party pay	59,680	-	59,680
Vehicle advertisement	34,988	-	34,988
Miscellaneous	6,395	-	6,395
Gain (loss) on sale of asset	(15,910)	-	(15,910)
Net assets released from restrictions	129,145	(129,145)	-
	<u>1,006,232</u>	<u>(129,145)</u>	<u>877,087</u>
TOTAL SUPPORT AND REVENUE	<u>2,673,698</u>	<u>107,217</u>	<u>2,780,915</u>
 <u>EXPENSES</u>			
Program services	2,367,432	-	2,367,432
Support services	273,542	-	273,542
	<u>2,640,974</u>	<u>-</u>	<u>2,640,974</u>
TOTAL EXPENSES	<u>2,640,974</u>	<u>-</u>	<u>2,640,974</u>
CHANGE IN NET ASSETS	32,724	107,217	139,941
 <u>NET ASSETS</u>			
Beginning of year	<u>134,474</u>	<u>281,371</u>	<u>415,845</u>
End of year	<u>\$ 167,198</u>	<u>\$ 388,588</u>	<u>\$ 555,786</u>

See Notes to Financial Statements.

GATEWAY SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	<u>Program Services</u>					<u>Support Services</u>			
	<u>Comm- munity Based</u>	<u>Facility Based</u>	<u>School Transition</u>	<u>Trans- portation</u>	<u>Total Program</u>	<u>General and Admin.</u>	<u>Fund- Raising</u>	<u>Total Support</u>	<u>Total</u>
Bad debts	\$ 6,320	\$ 6,553	\$ 3,224	\$ 12,425	\$ 28,522	\$ 7,216	\$ -	\$ 7,216	\$ 35,738
Depreciation	90	227	-	203,059	203,376	14,397	-	14,397	217,773
General insurance	-	-	-	534	534	18,980	-	18,980	19,514
Interest	-	-	-	3,836	3,836	16,701	-	16,701	20,537
Occupancy	1,839	6,593	1,841	11,106	21,379	13,761	-	13,761	35,140
Office	5,877	4,909	146	37,048	47,980	24,653	-	24,653	72,633
Other	1,267	2,777	526	71	4,641	310	-	310	4,951
Pass-through expenses	-	-	-	96,341	96,341	-	-	-	96,341
Personnel	451,540	173,164	16,312	838,834	1,479,850	137,862	-	137,862	1,617,712
Professional fees and membership	11,638	977	-	17,116	29,731	16,297	-	16,297	46,028
Public awareness	68	203	-	46	317	4,367	7,552	11,919	12,236
Sub-contracting	4,154	506	141	136,788	141,589	3,594	-	3,594	145,183
Transportation - operating	-	-	-	241,064	241,064	-	-	-	241,064
Transportation - insurance	-	-	-	191,761	191,761	-	-	-	191,761
Travel and staff Development	21,621	494	725	3,119	25,959	371	-	371	26,330
	<u>\$ 504,414</u>	<u>\$ 196,403</u>	<u>\$ 22,915</u>	<u>\$ 1,793,148</u>	<u>\$ 2,516,880</u>	<u>\$ 258,509</u>	<u>\$ 7,552</u>	<u>\$ 266,061</u>	<u>\$ 2,782,941</u>

See Notes to Financial Statements.

GATEWAY SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - continued

Year ended December 31, 2018

	<u>Program Services</u>					<u>Support Services</u>			
	<u>Comm- munity Based</u>	<u>Facility Based</u>	<u>School Transition</u>	<u>Trans- portation</u>	<u>Total Program</u>	<u>General and Admin.</u>	<u>Fund- Raising</u>	<u>Total Support</u>	<u>Total</u>
Bad debts	\$ 9,292	\$ 7,998	\$ 924	\$ 8,555	\$ 26,769	\$ -	\$ -	\$ -	\$ 26,769
Depreciation	-	-	-	174,291	174,291	-	-	-	174,291
General insurance	-	-	-	142	142	11,146	-	11,146	11,288
Interest	-	-	-	3,780	3,780	16,041	-	16,041	19,821
Occupancy	1,901	5,391	581	11,966	19,839	14,824	-	14,824	34,663
Office	7,781	1,270	97	19,283	28,431	34,077	-	34,077	62,508
Other	1,532	4,456	435	-	6,423	-	-	-	6,423
Pass-through expenses	-	-	-	-	-	-	-	-	-
Personnel	455,441	148,539	20,021	843,735	1,467,736	153,879	-	153,879	1,621,615
Professional fees and membership	4,289	1,155	-	16,225	21,669	24,178	-	24,178	45,847
Public awareness	-	-	293	135	428	6,276	12,032	18,308	18,736
Sub-contracting	4,228	462	106	148,393	153,189	275	-	275	153,464
Transportation - operating	-	-	-	253,746	253,746	-	-	-	253,746
Transportation - insurance	-	-	-	191,006	191,006	-	-	-	191,006
Travel and staff Development	16,503	231	570	2,679	19,983	814	-	814	20,797
	<u>\$ 500,967</u>	<u>\$ 169,502</u>	<u>\$ 23,027</u>	<u>\$ 1,673,936</u>	<u>\$ 2,367,432</u>	<u>\$ 261,510</u>	<u>\$ 12,032</u>	<u>\$ 273,542</u>	<u>\$ 2,640,974</u>

See Notes to Financial Statements.

GATEWAY SERVICES, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,799	\$ 139,941
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	217,773	174,291
(Gain) loss on sale of assets	(6,525)	15,910
(Increase) decrease in:		
Cash held for fiscal agents	(8,281)	2,899
Grants receivable	(175,704)	(59,680)
Prepaid expenses	(29,934)	(13,078)
Other assets	-	25,396
Increase (decrease) in:		
Accounts payable and accrued expenses	(101,581)	216,696
Agency funds due to fiscal agents	8,281	(2,899)
Net cash provided by (used in) operating activities	<u>(94,172)</u>	<u>499,476</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(175,723)	(361,721)
Proceeds from sale of assets	<u>25,187</u>	<u>5,300</u>
Net cash used in investing activities	<u>(150,536)</u>	<u>(356,421)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from line of credit	1,417,949	1,151,600
Payments on line of credit	(1,090,161)	(1,273,100)
Payments on long-term debt	(27,542)	(22,517)
Proceeds from long-term debt	<u>41,649</u>	<u>29,090</u>
Net cash provided by (used in) financing activities	<u>341,895</u>	<u>(114,927)</u>
Increase (decrease) in cash and cash equivalents	97,187	28,128
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning	<u>26,778</u>	<u>(1,350)</u>
Ending	<u>\$ 123,965</u>	<u>\$ 26,778</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 20,537</u>	<u>\$ 19,821</u>

See Notes to Financial Statements.

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Gateway Services, Inc. (the "Organization") was incorporated as an Indiana Not-for-Profit Corporation and was organized exclusively to provide charitable and educational programs to persons with disabilities and others with similar service needs living in Johnson County and surrounding counties. The Organization is committed to a future without limits: build community – create opportunity – expect success – change lives. In carrying out its mission, the Organization relies on government funding. The Indiana Division of Disability, Aging, and Rehabilitative Services and The Indiana Department of Transportation ("INDOT") provide a significant amount of the total support and revenue to the Organization.

The Organization also assists two contiguous counties (Brown and Shelby counties) in their efforts to provide transportation service to its county residents. These services involve consultation and oversight for certain activities. This arrangement is considered purchased services by INDOT.

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

A. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

B. Basis of Presentation

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

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

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

C. Cash and Cash Equivalents

The Organization's cash and cash equivalents consist of checking accounts. The Organization maintains the accounts at a commercial bank. The accounts are partially insured by the Federal Deposit Insurance Corporation. The balances, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

D. Concentration of Credit Risk

The Organization has grants and contracts with various federal and state governmental agencies and departments. Approximately 50% and 48% of total revenue was received from one agency in 2019 and 2018, respectively.

E. Grants Receivable

Grants and contracts receivable consists of amounts management expects to collect from grantors and other performance-based program reimbursements, and are reported at net realizable value. The Organization uses the allowance method for recognition of bad debt expense. The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectability of various types of receivables including billing and payment timetables and historical loss experience for each funding source. No interest is charged on receivables. Receivables are continually reviewed and are written-off when all reasonable possibility of collection or rebilling (which varies by source) has been exhausted. Management has determined that an allowance of \$30,000 is necessary for the years ended December 31, 2019 and 2018, respectively.

F. Property and Equipment

Property and equipment are stated at cost. Donated property and equipment is recorded at fair value. The Organization's capitalization policy is \$1,000 for assets purchased with an estimated useful life of 3 years or more. Depreciation is provided using the straight-line method over estimated useful lives of three to forty years.

Donations of property and equipment are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time, with the exception of Section 5310 and 5311/5339 Grant vehicles which are placed into service immediately and reclassified when the useful life criteria are met and INDOT releases the title.

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying value may not be fully recoverable. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. During the years ended December 31, 2019 and 2018, there was no impairment loss recognized on long-lived assets.

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

F. Property and Equipment - continued

The land at 3500 North Morton, Franklin, IN on which the Organization's current building site was purchased with grant funds (plus local match). The Organization has in the past been advised by the service division granting those funds (Indiana Vocational Rehabilitation Services) that use of the land is restricted to purposes compatible with the intent of the grant and if sold, a proportionate amount of the proceeds must be given back.

Expenditures for property and equipment and for renewals or betterments which extend the originally estimated economic life of the assets are capitalized. Expenditures for routine maintenance and repairs are charged to expense. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

G. Support and Revenues

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

H. Advertising and Community Awareness

The Organization uses advertising and community awareness activities to promote its programs and mission among the audiences it serves and the community. The production costs of advertising are expensed as incurred. During the years ended December 31, 2019 and 2018, advertising and community awareness costs totaled \$4,638 and \$5,443, respectively.

I. Tax Status

The Organization is exempt from federal and state income taxes on its related activities under Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for federal and state income taxes has been made.

The Organization files the required federal and state information returns. Whenever tax returns are filed, the filing organization must evaluate the merits of its tax positions and determine if they will be ultimately sustained. Those tax positions for the Organization include maintaining their tax-exempt status and the taxability of any unrelated business income. The Organization believes these positions are sustainable. Although the Organization has not incurred any interest and penalties associated with these positions, it is their policy to expense them in the statement of activities.

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

J. Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the benefiting programs and supporting services. The Statement of Functional Expenses represents direct costs for each activity. Indirect costs are allocated to each program area according to an allocation formula previously approved by the major funding entities to determine total cost of each service.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Reclassification

Certain amounts from the prior year have been reclassified to conform with the current year presentation.

M. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through November 9, 2020, which is the date the financial statements were available to be issued.

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

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

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 2 RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve nonprofit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications has been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements are presented regarding risk exposure and availability of cash for short term use. Expenses are reported by both their natural and functional classification to aid in the usefulness of financial statements. The Organization adopted this standard for the year ending December 31, 2018.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. The Organization adopted this standard for the year ending December 31, 2019. These changes did not have an impact on the financial statements.

NOTE 3 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the entity for the year ending December 31, 2022. The Organization is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

NOTE 4 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and lines of credit. See Note 6 for information on the Organization's line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programming activities as well as the conduct of services undertaken to support those activities to be general expenditures.

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 4 LIQUIDITY AND AVAILABILITY - continued

The table below represents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

Financial assets at year-end:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 123,965	\$ 26,778
Grants receivable	589,144	413,440
Total financial assets	<u>713,109</u>	<u>440,218</u>
Less amounts not available to be used within one year:		
Donor-imposed restrictions	373,652	388,588
Less non-liquid donor-imposed restrictions	<u>(358,652)</u>	<u>(388,588)</u>
Financial assets not available to be used within one year	<u>15,000</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 698,109</u>	<u>\$ 440,218</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 50,000	\$ 50,000
Buildings and improvements	844,916	844,916
Equipment and furniture and fixtures	256,921	268,235
Vehicles	1,147,615	1,113,674
ARRA stimulus vehicles and other	<u>552,655</u>	<u>866,790</u>
	2,852,107	3,143,615
Less: accumulated depreciation	<u>(2,166,733)</u>	<u>(2,397,529)</u>
	<u>\$ 685,374</u>	<u>\$ 746,086</u>

NOTE 6 LINE OF CREDIT

The Organization has a line of credit with Horizon Bank with a maximum debt facility of \$550,000 available through November 15, 2020. Subsequent to year end, the line was extended through November 15, 2021. Amounts borrowed are secured by a commercial security agreement securing all assets of the Organization. The amount borrowed under the line of credit was \$358,288 and \$30,500 as of December 31, 2019 and 2018, respectively. Interest is assessed at the Wall Street Journal rate plus 1.50%. The effective rate at December 31, 2019 and 2018 was 6.25% and 5.50%, respectively.

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 7 LONG-TERM DEBT

Long-term debt consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Promissory note to Horizon Bank for transit vehicles used in the programming of the Organization. The note bears interest at a fixed rate of 5.00% per annum and requires 48 monthly principal and interest payments in the amount of \$461.51. The note matures November 15, 2020 and is unsecured.	\$ 4,942	\$ 10,072
Promissory note to Horizon Bank for transit vehicles used in the programming of the Organization. The note bears interest at a fixed rate of 5.00% per annum and requires 48 monthly principal and interest payments in the amount of \$622.70. The note matures April 13, 2021 and is unsecured.	9,607	16,410
Promissory note to Horizon Bank for transit vehicles used in the programming of the Organization. The note bears interest at a fixed rate of 5.00% per annum and requires 48 monthly principal and interest payments in the amount of \$690.88. The note matures November 2, 2021 and is unsecured.	14,495	22,087
Promissory note to Horizon Bank for transit vehicles used in the programming of the Organization. The note bears interest at a fixed rate of 5.75% per annum and requires 48 monthly principal and interest payments in the amount of \$681.06. The note matures July 25, 2022 and is unsecured.	19,531	26,711
Promissory note to Horizon Bank for a transit vehicle used in the programming of the Organization. The note bears interest at a fixed rate of 4.45% per annum and requires 48 monthly principal and interest payments in the amount of \$316.67. The note matures November 27, 2023 and is unsecured.	13,604	-
Promissory note to Horizon Bank for a transit vehicle used in the programming of the Organization. The note bears interest at a fixed rate of 4.45% per annum and requires 48 monthly principal and interest payments in the amount of \$316.67. The note matures November 27, 2023 and is unsecured.	13,604	-

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 7 LONG-TERM DEBT - continued

	<u>2019</u>	<u>2018</u>
Promissory note to Horizon Bank for a transit vehicle used in the programming of the Organization. The note bears interest at a fixed rate of 4.45% per annum and requires 48 monthly principal and interest payments in the amount of \$316.67. The note matures November 27, 2023 and is unsecured.	\$ 13,604	\$ -
	89,387	75,280
Less current maturities	<u>(36,762)</u>	<u>(26,080)</u>
	<u>\$ 52,625</u>	<u>\$ 49,200</u>

Scheduled maturities as of December 31, 2019 are as follows:

2020	\$ 36,762
2021	27,118
2022	15,330
2023	10,177
Thereafter	-
	<u>\$ 89,387</u>

NOTE 8 AMERICAN RECOVERY AND REINVESTMENT ACT

The American Recovery and Reinvestment Act of 2009 (“ARRA”) requires federal awards recipients to separately report expenditures of ARRA funds. There were no ARRA funds received or expended during the years ended December 31, 2019 and 2018. The Organization disposed of 7 transportation vehicles and various equipment, during 2019, with a total cost of \$314,135. The Organization disposed of four transportation vehicles and various equipment, during 2018, with a total cost of \$199,135. The vehicles and equipment were purchased in prior years, utilizing ARRA funds. These vehicles and equipment were fully depreciated at the time of disposal.

NOTE 9 AGENCY FUNDS

The Organization acts as a fiscal agent (manager) for the United Way of Johnson County related to the No Place to Call Home Coordination Program. Under this program, the Organization receives funds from United Way and then, based on authorized requests from other social service agencies, pay out the funds to eligible families receiving financial assistance. As of December 31, 2019 and 2018, there was an agency liability outstanding of \$21,920 and \$9,013, respectively.

For their fiscal management, the Organization receives a 10% administrative fee of the total amount of dollars administered, deducted from the monthly check received. For the years ending December 31, 2019 and 2018, the fees amounted to approximately \$8,174 and \$8,220, respectively.

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 9 AGENCY FUNDS - continued

The Organization also acts as a fiscal agent for a few other agencies/organizations. As of December 31, 2019 and 2018, there was an agency liability outstanding of \$1,347 and \$5,973, respectively. The fiscal agent liability represents cash that has been designated to United Way of Johnson County that the Organization has not yet disbursed. Agency liabilities will be paid from current cash balances.

NOTE 10 ENDOWMENT FUNDS

Effective December 1, 2017, the Organization received an advised endowment fund through a transfer to the newly created Gateway Services of Johnson County Fund at the Johnson County Community Foundation. The original transfer amounted to \$6,654. Only the allocable income from the Fund may be expended by the Organization and not the principal. If the principal balance falls below a \$10,000 required amount, then the Organization may expend the principal. For the years ending December 31, 2019 and 2018, the ending balance was \$25,029 and \$21,372, respectively. There spendable balance on December 31, 2019 and 2018 was \$759 and \$0, respectively.

NOTE 11 INCOME TAXES

The Organization sells advertising space on their transportation vehicles to outside vendors. The total gross revenues received from these transactions were \$39,333 and \$34,988 for the years ended December 31, 2019 and 2018, respectively, which is subject to unrelated business income tax. In 2019 and 2018, the Organization had unrelated business income tax expense of \$0, respectively.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Purpose restrictions:		
Transportation program - vehicles	\$ 358,652	\$ 388,588
Access Johnson County Bus App Project	<u>15,000</u>	<u>-</u>
	<u>\$ 373,652</u>	<u>\$ 388,588</u>

NOTE 13 SUBSEQUENT EVENTS

Subsequent to year-end, the Organization applied for and was approved for a \$304,809 loan under the Paycheck Protection Program ("PPP") created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration ("SBA").

GATEWAY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 13 SUBSEQUENT EVENTS - continued

The loan accrues interest at 1.00%, but payments are not required to begin for ten months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollaterized and is fully guaranteed by the Federal government.

Subsequent to year-end, the Organization applied for and received two vehicle loans from Horizon Bank for \$13,813 each. The loans accrue interest at 4.00% with monthly payments of \$312.23 each. Both loans have a maturity date of October 20, 2024.

NOTE 14 SUMMARY OF GRANTS/CONTRACTS FUNDING

The Organization received funds through the following federal grants and contracts for the years ended December 31, 2020 and 2019:

<u>Funding Source</u>	<u>Contract Number</u>	<u>2020</u>	<u>2019</u>
Dept of Transportation	1803727O	\$ 1,153,485	\$ 1,136,676
Dept of Transportation	1803727C	225,701	236,362
Indiana FSSA	26951	13,832	-
Indiana FSSA	19458	33,969	-
Indiana RTAP	N/A	1,000	-
Various	N/A	<u>15,659</u>	<u>102,239</u>
Total Grants and Contracts		<u>\$ 1,443,646</u>	<u>\$ 1,475,277</u>

GATEWAY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub-Recipients</u>	<u>Federal Expenditures</u>
U.S. Department of Education Vocational Rehabilitation Program	84.126A			
Pass-Through Grantor: Indiana Division of Disability, Aging, and Rehabilitative Services		N/A	\$ -	\$ 33,969
U.S. Department of Transportation Formula Grants for Rural Areas and Tribal Transit Program	20.509			
Pass-Through Grantors: Indiana Department of Transportation		1803727O	-	821,560
U.S. Department of Transportation Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526			
Pass-Through Grantors: Indiana Department of Transportation		1803727C	-	<u>225,701</u>
Total expenditures of federal awards			\$ -	<u>\$ 1,081,230</u>

See Notes to the Schedule of Expenditures of Federal Awards.

GATEWAY SERVICES, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Gateway Services, Inc. under programs of the federal government for the year ended December 31, 2019. The information in this 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 Gateway Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Gateway Services, Inc.

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. Pass-through entity identifying numbers are presented where available.

NOTE 3 INDIRECT COST RATE

Gateway Services, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance, but used an Indiana Department of Transportation approved indirect cost rate.

**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

Board of Directors
Gateway Services, Inc.
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Gateway Services, Inc. ("Gateway"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gateway'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gateway's internal control. Accordingly, we do not express an opinion on the effectiveness of Gateway'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. 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.

**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 - continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gateway's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Pile CPAs

Indianapolis, Indiana
November 9, 2020

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gateway Services, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited Gateway Services, Inc.'s ("Gateway") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gateway's major federal programs for the year ended December 31, 2019. Gateway'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 Gateway's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("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 Gateway'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 Gateway's compliance.

Opinion on Each Major Federal Program

In our opinion, Gateway 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 December 31, 2019.

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

INDEPENDENT AUDITOR'S REPORT - continued

Report on Internal Control Over Compliance

Management of Gateway 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 Gateway's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 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 Gateway'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 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.

Pile CPAs

Indianapolis, Indiana
November 9, 2020

GATEWAY SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2019

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal Control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
• Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.509	Formula Grants for Rural Areas and Tribal Transit Program

Dollar Threshold used to distinguish between type A and type B programs	\$ 750,000
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Auditee qualified as low-risk auditee?	Yes
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II. FINANCIAL STATEMENT FINDINGS	None
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III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	None
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GATEWAY SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2019

The prior year audit disclosed no instances of noncompliance that were required to be reported under U.S. Government Auditing Standards and no uncorrected or unresolved findings exist from the prior audit's Schedule of Audit Findings and Questioned Costs.