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October 21, 2021


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

We have reviewed the audit report of Joyce Network, Inc., which was opined upon by Pettit & Company, LLC, Independent Public Accountants, for the period October 1, 2018 to September 30, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Joyce Network, Inc. as of September 30, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on page 23. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 24.

In our opinion, Pettit & Company, LLC 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.


Paul D. Joyce, CPA
State Examiner



JOYCE NETWORK, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(With Single Audit Section)

JOYCE NETWORK, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Joyce Network, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Joyce Network, Inc. as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, on our consideration of Joyce Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Joyce Network, Inc.'s internal control over financial reporting and compliance.

Pettit & Company, LLC

Indianapolis, Indiana

March 31, 2021

JOYCE NETWORK, INC.

**STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 AND 2019**

Assets

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 28,976	\$ 20,193
Accounts receivable - CACFP	220,939	213,513
Total current assets	<u>249,915</u>	<u>233,706</u>
Total assets	<u><u>\$ 249,915</u></u>	<u><u>\$ 233,706</u></u>

Liabilities and net assets

Current liabilities		
Accounts payable - CACFP	\$ 199,727	\$ 190,809
Payroll protection program loan	41,395	-
Total current liabilities	<u>241,122</u>	<u>190,809</u>
Total liabilities	<u>241,122</u>	<u>190,809</u>
Net assets		
Net assets without donor restrictions	8,793	42,897
Total net assets	<u>8,793</u>	<u>42,897</u>
Total liabilities and net assets	<u><u>\$ 249,915</u></u>	<u><u>\$ 233,706</u></u>

JOYCE NETWORK, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Unrestricted revenues and support		
Grant income	\$ 2,308,695	\$ 2,818,168
Other income	13,477	25
Total support and revenue	<u>2,322,172</u>	<u>2,818,193</u>
Expenses		
Child care food program	2,294,341	2,760,850
Management and general	61,935	59,698
Total cost of operations	<u>2,356,276</u>	<u>2,820,548</u>
Change in net assets	(34,104)	(2,355)
Net assets - beginning of year	<u>42,897</u>	<u>45,252</u>
Net assets - end of year	<u>\$ 8,793</u>	<u>\$ 42,897</u>

JOYCE NETWORK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Child care food program	Management and general	Total
Salaries	\$ 117,071	\$ 39,024	\$ 156,095
Payroll taxes	51,293	17,098	68,391
Program costs - provider payments	2,061,493	-	2,061,493
Rent - office	18,000	-	18,000
Office supplies	3,560	1,187	4,747
Postage	2,006	669	2,675
Telephone	546	182	728
Advertising	320	-	320
Provider training	4,478	-	4,478
Meals and entertainment	38	-	38
Professional fees	11,325	3,775	15,100
Vehicle expense	9,782	-	9,782
Insurance	1,841	-	1,841
Printing and reproduction	566	-	566
Other expense	12,022	-	12,022
	Total expenses	\$ 61,935	\$ 2,356,276
	\$ 2,294,341	\$ 61,935	\$ 2,356,276

Notes to financial statements are an integral part of these statements

JOYCE NETWORK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Child care food program</u>	<u>Management and general</u>	<u>Total</u>
Salaries	\$ 110,660	\$ 36,887	\$ 147,547
Payroll taxes	51,281	17,094	68,375
Program costs - provider payments	2,539,982	-	2,539,982
Rent - office	18,000	-	18,000
Office supplies	698	233	931
Postage	781	260	1,041
Telephone	1,166	389	1,555
Advertising	275	-	275
Provider training	-	-	-
Meals and entertainment	106	-	106
Professional fees	14,504	4,835	19,339
Vehicle expense	20,745	-	20,745
Insurance	851	-	851
Printing and reproduction	283	-	283
Other expense	1,518	-	1,518
	<u>1,518</u>	<u>-</u>	<u>1,518</u>
Total expenses	<u>\$ 2,760,850</u>	<u>\$ 59,698</u>	<u>\$ 2,820,548</u>

Notes to financial statements are an integral part of these statements

JOYCE NETWORK, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (34,104)	\$ (2,355)
(Increase) decrease in assets		
Accounts receivable - CACFP	(7,426)	2,573
Increase (decrease) in liabilities		
Accounts payable - CACFP	8,918	(3,425)
Net cash provided by (used in) operating activities	<u>(32,612)</u>	<u>(3,207)</u>
Cash flows from financing activities		
Proceeds from payroll protection program loan	41,395	-
Net cash provided by (used in) financing activities	<u>41,395</u>	<u>-</u>
Net increase in (decrease in) cash and cash equivalents	8,783	(3,207)
Cash and cash equivalents, beginning of fiscal year	<u>20,193</u>	<u>23,400</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 28,976</u></u>	<u><u>\$ 20,193</u></u>

JOYCE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Basis of preparation of the financial statements

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958. Under ASC 958 and the recently released ASU 2016- 14 Presentation of Financial Statement of Not-for-Profit Entities, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations.
- Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may be met by actions of the Organization and/or the passage of time and net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

There were no net assets with donor restrictions at September 30, 2020 and 2019.

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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

JOYCE NETWORK, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable - CACFP

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

Allowance for bad debts

Joyce Network, Inc. uses the allowance for doubtful accounts method to record uncollected receivables. The Organization incurred no bad debt costs nor was an allowance for doubtful accounts recorded for years ended September 30, 2020 and 2019.

Property and equipment

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

The Organization is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Organization's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the years ended September 30, 2020 and 2019.

Revenue and support recognition

The Organization records revenue when earned. Revenue from government grants which are reimbursement based program revenue is recognized as costs are incurred and reimbursements are determinable.

Functional allocation of expenses

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

JOYCE NETWORK, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

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

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for both of the years ended September 30, 2020 and 2019. If the situation arose in which the Organization would have interest to recognize it, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for either of the years ended September 30, 2020 and 2019.

Advertising

Advertising cost are charged to operations as incurred. There were no advertising costs during the years ended September 30, 2020 and 2019.

Recently adopted accounting pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASC 606) and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASC 606 and all related amendments using the modified retrospective transition method. The Organization concluded that the adoption of the new standard did not require an adjustment to the opening net asset balance.

Management's review of subsequent events

The Management has performed an analysis of the activities and transactions subsequent to September 30, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2020. Management has performed their analysis of subsequent events through March 31, 2021, the date the financial statements were available to be issued.

JOYCE NETWORK, INC.

NOTE 2 - CASH AND CASH FLOW INFORMATION

At various times throughout the year, the Organization may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 for each business depositor. At both September 30, 2020 and 2019, the Organization had no cash in financial institutions in excess of insured limits.

For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 3 - OPERATING LEASES

On September 1, 2018 the Organization entered into an operating lease to rent office space. The length lease for the office space expires on August 30, 2021. The monthly rent for the office space is \$1,500.

Future minimum lease payments are as follows:

Year Ending September 30,

2021	<u>16,500</u>
	<u>\$ 16,500</u>

NOTE 4 - ECONOMIC DEPENDENCY AND CONCENTRATION OF RISK

Joyce Network, Inc. receives 100% of its revenue from the Indiana Department of Education (IDOE). The IDOE receives funding from the U.S. Department of Agriculture (USDA). Should this funding cease, the Organization would not be able to continue operations. The Organization only operates in the state of Indiana. As of September 30, 2020 and 2019, \$220,939 and \$213,513, respectively, were due from the IDOE.

JOYCE NETWORK, INC.

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of September 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 28,976	\$ 20,193
Grants receivable	<u>220,939</u>	<u>213,513</u>
Total financial assets available within one year	<u>\$ 249,915</u>	<u>\$ 233,706</u>

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

NOTE 6 – COVID-19 PANDEMIC & PAYCHECK PROTECTION PROGRAM LOAN

COVID-19 pandemic

During fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2020 and 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of September 30, 2020.

Paycheck protection program loan

On April 16, 2020, the Organization received a loan through the Small Business Administration (SBA) Paycheck Protection Program (PPP) of \$41,395. The loan accrues interest at 1% with principal and interest payments deferred until either the date the SBA remits the Organization's loan forgiveness amount to the lender (Cross River Bank) or if the Organization does not apply for loan forgiveness 10 months after the end of the Organization's loan forgiveness covered period. After the deferral period expires, the outstanding principal is to be paid in monthly installments for eighteen months at which time the loan is due in full. There are provisions under the PPP loan program where all or a portion of the loan may be forgiven based on certain requirements being met. As of September 30, 2020, the loan had not been forgiven.

JOYCE NETWORK, INC.

NOTE 7 – SUBSEQUENT EVENT

On January 29, 2021, the Organization's Payroll Protection Program Loan was forgiven in full.

SINGLE AUDIT SECTION

JOYCE NETWORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Year Ended September 30, 2020

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
<i>Passed Through the State of Indiana Department of Education</i>				
Child and Adult Care Food Program	10.558	1730570	\$ 2,061,493	\$ 2,294,341

Year Ended September 30, 2019

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
<i>Passed Through the State of Indiana Department of Education</i>				
Child and Adult Care Food Program	10.558	1730570	\$ 2,539,982	\$ 2,760,850

JOYCE NETWORK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Joyce Network, Inc. has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. Per the major program requirements, Joyce Network, Inc. is awarded a 15% administration fee on centers served and a per meal served fee on homes served.

NOTE 3 – SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, Joyce Network, Inc. provided federal awards to subrecipients of \$2,061,493 for 2020 and \$2,539,982 for 2019.

JOYCE NETWORK, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

Section II Financial Statement Findings

Finding 2018-001 and 2017-001

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

Status: Open.

Section III Federal Award Findings

Finding 2018-001 and 2017-001

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

Status: Open.



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 of
Joyce Network, Inc.
Shelbyville, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Joyce Network, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Findings 2020-001 and 2019-001.

Compliance and Other Matters

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

Joyce Network, Inc.'s Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pettit & Company, LLC

Indianapolis, Indiana
March 31, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited Joyce Network, Inc.’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Joyce Network, Inc.’s major federal programs for the years ended September 30, 2020 and 2019. Joyce Network, Inc.’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Joyce Network, Inc.’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 Joyce Network, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Joyce Network, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended September 30, 2020 and 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Pettit & Company, LLC

Indianapolis, Indiana
March 31, 2021

JOYCE NETWORK, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major programs tested:

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

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

Auditee qualified as low-risk auditee? No

JOYCE NETWORK, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

Section II Financial Statement Findings

Finding 2020-001 and 2019-001

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

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

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

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

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

Section III Federal Award Findings

None.

JOYCE NETWORK, INC.

CORRECTIVE ACTION PLAN

Joyce Network, Inc. submits the following corrective action plan for the years ended September 30, 2020 and 2019.

The findings from the September 30, 2020 and 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2020-001 and 2019-001

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