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March 24, 2022

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

We have reviewed the audit report of Real Services, Inc. which was opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Real Services, Inc. as of June 30, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Cullar & Associates, PC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

CONSOLIDATED FINANCIAL AND COMPLIANCE REPORT

REAL SERVICES, INC. AND AFFILIATES

June 30, 2021 and 2020

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

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of REAL Services, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of REAL Services, Inc. and Affiliates as of June 30, 2021 and 2020, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2022, on our consideration of REAL Services, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of REAL Services, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering REAL Services, Inc. and Affiliates' internal control over financial reporting and compliance.

Cullen & Associates, P.C.

South Bend, Indiana
January 19, 2022

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 7,312,646	\$ 5,881,876
Grants and contracts receivable	3,239,875	2,749,193
Operating investments	3,396,225	2,643,803
Prepaid expenses	158,583	6,204
Beneficial interests in assets held by Community Foundation	336,368	158,743
Property and equipment	2,474,478	2,585,985
Cash held in escrow for employee benefits	1,152,285	577,209
Investments held for deferred compensation plan benefits	206,918	202,872
Assets held for others under guardianship	114,851	297,024
Endowment:		
Investments	1,190,975	762,356
Beneficial interests in assets held by Community Foundation	1,126,165	992,431
<i>Total assets</i>	<u>\$ 20,709,369</u>	<u>\$ 16,857,696</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,221,564	\$ 1,104,490
Refundable advances	772,122	40,436
Deferred revenues	82,650	99,850
Accrued employee benefits	1,152,285	577,209
Accrued deferred compensation plan benefits	221,418	217,372
Liability for assets held under guardianships	114,851	297,024
Agency funds held for others	630,558	-
Note payable, bank, Paycheck Protection Program	-	830,000
<i>Total liabilities</i>	<u>4,195,448</u>	<u>3,166,381</u>
Net Assets:		
Without donor restrictions:		
Undesignated	9,506,110	7,036,721
Designated by Board for endowment	1,469,505	997,397
Invested in property and equipment	2,474,478	2,585,985
	<u>13,450,093</u>	<u>10,620,103</u>
With donor restrictions:		
Purpose restricted	2,563,828	2,570,672
Perpetual in nature	500,000	500,000
	<u>3,063,828</u>	<u>3,070,672</u>
<i>Total net assets</i>	<u>16,513,921</u>	<u>13,690,775</u>
<i>Total liabilities and net assets</i>	<u>\$ 20,709,369</u>	<u>\$ 16,857,156</u>

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

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Revenue, Support, and Gains:						
Government-funded awards	\$ 22,869,787	\$ 154,827	\$ 23,024,614	\$ 18,481,369	\$ 220,793	\$ 18,702,162
Program service revenue	785,533	99,328	884,861	972,155	117,260	1,089,415
Contributions	720,384	484,220	1,204,604	629,448	924,680	1,554,128
Net investment return	1,081,264	33,470	1,114,734	218,028	32,067	250,095
Change in value of beneficial interests	133,734	177,625	311,359	10,151	14,749	24,900
Other	142,989	43,881	186,870	155,957	38,706	194,663
Net assets released from restrictions	<u>1,000,195</u>	<u>(1,000,195)</u>	<u>-</u>	<u>604,300</u>	<u>(604,300)</u>	<u>-</u>
<i>Total revenue, support, and gains</i>	<u>26,733,886</u>	<u>(6,844)</u>	<u>26,727,042</u>	<u>21,071,408</u>	<u>743,955</u>	<u>21,815,363</u>
Expenses:						
Program services expenses:						
Alzheimer's and Dementia Services	99,362	-	99,362	166,743	-	166,743
Area Agency on Aging	921,704	-	921,704	509,159	-	509,159
Case Management	5,652,399	-	5,652,399	5,112,389	-	5,112,389
Community Services	781,935	-	781,935	817,135	-	817,135
COVID-19	4,829,391	-	4,829,391	1,453,650	-	1,453,650
Energy Assistance	5,958,180	-	5,958,180	6,586,946	-	6,586,946
Foster Grandparents	172,929	-	172,929	210,596	-	210,596
Guardianship	225,960	-	225,960	196,815	-	196,815
Home Health Care	1,562,371	-	1,562,371	1,720,433	-	1,720,433
Nutrition	1,924,050	-	1,924,050	1,754,615	-	1,754,615
Transportation	267,448	-	267,448	249,308	-	249,308
Weatherization	<u>402,346</u>	<u>-</u>	<u>402,346</u>	<u>436,890</u>	<u>-</u>	<u>436,890</u>
<i>Total program services expenses</i>	<u>22,798,075</u>	<u>-</u>	<u>22,798,075</u>	<u>19,214,679</u>	<u>-</u>	<u>19,214,679</u>
Supporting services expenses:						
Management and general	995,357	-	995,357	1,040,540	-	1,040,540
Development and fundraising	<u>111,004</u>	<u>-</u>	<u>111,004</u>	<u>138,265</u>	<u>-</u>	<u>138,265</u>
<i>Total supporting services expenses</i>	<u>1,106,361</u>	<u>-</u>	<u>1,106,361</u>	<u>1,178,805</u>	<u>-</u>	<u>1,178,805</u>
<i>Total expenses</i>	<u>23,904,436</u>	<u>-</u>	<u>23,904,436</u>	<u>20,393,484</u>	<u>-</u>	<u>20,393,484</u>
Change in net assets	2,829,450	(6,844)	2,822,606	677,924	743,955	1,421,879
Net assets, beginning of year	<u>10,620,643</u>	<u>3,070,672</u>	<u>13,691,315</u>	<u>9,942,719</u>	<u>2,326,717</u>	<u>12,269,436</u>
<i>Net assets, end of year</i>	<u>\$ 13,450,093</u>	<u>\$ 3,063,828</u>	<u>\$ 16,513,921</u>	<u>\$ 10,620,643</u>	<u>\$ 3,070,672</u>	<u>\$ 13,691,315</u>

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

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Alzheimer's and Dementia Services	Area Agency on Aging	Case Management	Community Services	COVID-19	Energy Assistance	Foster Grandparents	Guardian- ship	Home Health Care	Nutrition	Transportation	Weather- ization	Management and General	Development and Fundraising	Totals
Personnel:															
Salaries and wages	\$ 38,578	\$ 250,782	\$ 3,684,057	\$ 306,195	\$ 396,321	\$ 225,015	\$ 38,990	\$ 131,947	\$ -	\$ 668,998	\$ 82,743	\$ 155,427	\$ 625,745	\$ 32,792	\$ 6,637,590
Retirement	2,524	10,255	139,341	22,439	14,559	9,007	514	6,237	-	21,565	3,468	7,403	43,591	785	281,688
Other benefits	13,290	54,229	955,131	76,188	42,020	28,277	1,610	56,529	-	133,376	6,167	37,321	55,031	6,288	1,465,457
Payroll taxes	2,605	18,854	266,827	22,301	29,312	17,341	2,994	8,388	-	50,166	6,386	11,180	31,318	2,803	470,475
<i>Total personnel</i>	56,997	334,120	5,045,356	427,123	482,212	279,640	44,108	203,101	-	874,105	98,764	211,331	755,685	42,668	8,855,210
Contract services	-	-	-	-	-	-	-	-	-	-	-	-	99,165	13,998	113,163
IT services	2,666	5,466	102,792	14,086	5,472	18,433	1,631	2,190	-	33,588	5,456	487	7,153	2,733	202,153
Food	-	-	11,236	9	151,589	-	-	-	146,751	535,825	-	-	-	-	845,410
Program supplies	3,884	9,875	8,006	197	13,577	1,074	2,507	90	-	80,029	214	949	5,487	64	125,953
Office supplies	573	885	16,544	1,738	9,043	6,000	179	1,066	-	4,946	392	903	6,139	1,601	50,009
Duplicating	705	921	5,023	2,398	862	1,053	41	160	-	3,692	136	304	1,361	6,257	22,913
Recognition	106	1,954	259	-	-	262	-	-	-	806	-	41	5,642	-	9,070
Communications	2,874	3,194	39,872	3,616	6,240	4,091	1,350	3,625	-	21,023	3,667	4,190	7,727	2,035	103,504
Postage	2,424	3,090	10,803	970	2,599	12,076	893	712	-	4,470	612	963	31,262	2,997	73,871
Occupancy	8,630	46,188	240,034	28,060	25,859	128,395	2,805	10,691	-	191,351	2,744	13,565	21,938	20,331	740,591
Insurance	2,895	492	27,293	2,259	3,914	5,796	995	613	-	6,021	178	7,575	2,680	516	61,227
Printing and advertising	2,074	19,215	3,209	872	1,219	18,712	69	107	-	2,584	66	270	441	2,790	51,628
Vehicle expenses	-	-	1,079	-	9,922	-	1,006	-	-	44,267	24,570	4,202	-	-	85,046
Travel and conferences	1,397	3,401	1,437	70	1,076	506	7	1,486	-	9,936	-	-	333	128	19,777
Dues and subscriptions	1,308	15,059	16,954	9,160	7,363	96	452	182	-	591	2	-	318	1,837	53,322
Assistance to individuals	7,888	21,200	85,579	287,517	4,079,573	5,464,579	102,766	442	1,414,377	43,540	89,258	157,541	-	-	11,754,260
Contribution	-	442,175	-	-	-	-	-	-	-	-	-	-	-	-	442,175
Training	217	1,008	3,047	125	844	5	1	327	-	12	1	-	378	1,801	7,766
Equipment expense	1,274	2,856	32,633	3,563	27,995	15,804	14,055	1,056	-	10,718	534	-	7,544	2,866	120,898
Equipment depreciation	-	-	-	-	-	-	-	-	-	42,009	37,471	-	29,800	-	109,280
Other	3,450	10,605	1,243	172	32	1,658	64	112	1,243	14,537	3,383	25	12,304	8,382	57,210
<i>Totals</i>	<u>\$ 99,362</u>	<u>\$ 921,704</u>	<u>\$ 5,652,399</u>	<u>\$ 781,935</u>	<u>\$ 4,829,391</u>	<u>\$ 5,958,180</u>	<u>\$ 172,929</u>	<u>\$ 225,960</u>	<u>\$ 1,562,371</u>	<u>\$ 1,924,050</u>	<u>\$ 267,448</u>	<u>\$ 402,346</u>	<u>\$ 995,357</u>	<u>\$ 111,004</u>	<u>\$ 23,904,436</u>

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

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

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

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

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

Change in Cash and Cash Equivalents:	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash received from grants and contracts, program services, contributions, and others	\$ 19,355,499	\$ 15,794,110
Investment income received	137,650	153,911
Payments for salaries, benefits, and payroll taxes	(8,864,193)	(8,386,658)
Payments to vendors and others	(8,935,717)	(6,090,748)
Payments of income taxes	<u>(685)</u>	<u>(2,265)</u>
<i>Net cash provided by operating activities</i>	<u>1,692,554</u>	<u>1,468,350</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(73,529)	(492,817)
Purchase of investments	(490,277)	(742,362)
Proceeds from sale of investments	<u>302,022</u>	<u>42,082</u>
<i>Net cash (used in) investing activities</i>	<u>(261,784)</u>	<u>(1,193,097)</u>
Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>830,000</u>
Net change in cash and cash equivalents	1,430,770	1,105,253
Cash and cash equivalents, beginning of year	<u>5,881,876</u>	<u>4,776,623</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 7,312,646</u>	<u>\$ 5,881,876</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	\$ 2,822,606	\$ 1,421,879
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Payroll Protection Program loan	(830,000)	-
Depreciation	185,036	186,912
Investment (gains)	(992,786)	(108,812)
Changes in assets and liabilities:		
Grants and contracts receivable	(490,682)	68,346
Prepaid expenses	(152,379)	1,379
Beneficial interests in assets held by		
Community Foundation	(311,359)	(24,900)
Accounts payable and accrued liabilities	117,074	(118,723)
Refundable advances	731,686	(3,881)
Deferred revenues	(17,200)	46,150
Agency funds held for others	<u>630,558</u>	<u>-</u>
<i>Net cash provided by operating activities</i>	<u>\$ 1,692,554</u>	<u>\$ 1,468,350</u>

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

REAL SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

REAL SERVICES, INC. AND AFFILIATES
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Significant Accounting Policies:

Use of Estimates:

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

- Revenue earned from government-funded awards. The majority of our revenue is earned on such awards that are governed by cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.
- The valuation of beneficial interests in assets held by Community Foundation, which is based on the value of the underlying assets, as provided by the community foundation that holds the assets and which approximates the present value of expected future distributions.
- The valuation of contributed facilities, which is based on rents for comparable facilities.
- The allocation of expenses among functions. Expenses that are directly identifiable with functions are charged to those functions. Expenses related to more than one function are allocated to functions based on estimates of employee time spent on functions, space used by function, and other factors driving costs.

Consolidation:

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

Net Asset Classes:

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

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

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Cash and Cash Equivalents:

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

Grants and Contracts Receivable:

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

Investments:

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

Beneficial Interests in Assets Held by Community Foundation:

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

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Property and Equipment:

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

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

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

Revenue and Revenue Recognition:

Contributions and grants:

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

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

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

Contributions of goods and property are recorded at fair value at the date contributed. Contributions of the use of facilities at no charge or at below-market charge are recorded at fair value, less any charges. We use certain facilities for our Nutrition program without

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charge or at reduced charge, and the difference between the fair value for the use of these facilities and the cost is recorded as revenue and expense. For both of the years ended June 30, 2021 and 2020, we recognized \$145,048 for use of such facilities.

Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their fair value in the period received. No contributed services are recognized in the accompanying consolidated financial statements because the criteria for recognition were not met. However, a substantial number of volunteers donate significant amounts of time to us.

Indiana Housing and Community Development Authority (IHCDA) makes energy assistance payments for participants in the Low-Income Home Energy Assistance Program directly to the energy providers on behalf of all entities administering the program. Because we perform all intake functions and are liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers are recorded as both grants revenue and financial assistance expense in the accompanying consolidated financial statements. We recognized \$5,824,764 and \$5,711,825 of revenue and expense for the years ended June 30, 2021 and 2020, respectively, for such payments made by IHCDA.

Contracts with customers:

We earn revenue from customers by providing social services, primarily for elder care. Fees for such services are recognized as revenue at the point in time when the services are substantially performed and billed. For the years ended June 30, 2021 and 2020, we earned \$474,275 and \$666,083, respectively, for such services, which are included in program service revenue in the accompanying consolidated statements of activities.

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

Milton Village Agency Transactions:

In October 2020, we entered into a Memorandum of Understanding (MOU) with The Center for Hospice Care (CHC) related to fundraising activities for construction of a new Alzheimer's facility at Milton Village. Total estimated costs for the project are estimated to be approximately \$6,000,000.

The MOU states that we are to engage in fundraising activities for the sole purpose of covering part of the construction cost of this project. All funds received from the fundraising activities will be remitted directly to CHC to cover construction costs. We have no discretion over the use of the funds raised for this project.

In accordance with the MOU, we remit all donations received for the Milton Village project to CHC as agency transactions. No revenues or expenses for the project have been recognized in our financial statements subsequent to the signing of the MOU. At June 30, 2021, the amount due to CHC for contributions collected on their behalf was \$630,558, which is reported as agency funds held for others in the 2021 consolidated statement of financial position.

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Paycheck Protection Program Loan:

As discussed in Note 8, in 2020, we were granted an \$830,000 loan under the Paycheck Protection Program of the Small Business Administration (SBA). In May 2021, we applied for and received full forgiveness of the loan. Consequently, we recognized \$838,573, including \$8,573 in interest, as revenue in the 2021 statement of activities.

Functional Allocation of Expenses:

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

Income Taxes:

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

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include our tax-exempt status and positions related to the potential sources of unrelated business taxable income. We have not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. We classify interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense, and there was no accrued interest or any penalties related to unrecognized tax benefits at either June 30, 2021 or 2020, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to June 30, 2018.

Financial Instruments and Credit Risk:

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with grants and contracts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, local individuals, and others supportive of our mission. Investments are made by investment managers whose performance is monitored by us and the

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Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the Board believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Reclassifications:

Certain line-items in the June 30, 2020 consolidated statement of financial position have been reclassified to conform to their treatment in the June 30, 2021 statement, with no effect on net assets.

Subsequent Events Information and Uncertainty Regarding the Pandemic:

The date through which events occurring subsequent to June 30, 2021 have been evaluated for possible adjustment to the financial statements or disclosure is January 19, 2022, the date on which the financial statements were available to be issued.

While our funding and operations have been largely unaffected by the COVID-19 pandemic, the full scope of the future impact of the ongoing pandemic on the results of our activities, cash flows, and financial position cannot be reasonably estimated at this time.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of June 30, 2021 and 2020, respectively, are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,748,818	\$ 3,311,204
Grants and contracts receivable	3,239,875	2,749,193
Investments	3,396,225	2,643,803
Distributions from-		
Beneficial interests in assets held		
by Community Foundation	<u>38,501</u>	<u>26,047</u>
<i>Total financial assets available</i>		
<i>for general expenditure</i>	<u>\$ 11,423,419</u>	<u>\$ 8,730,247</u>

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

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

Our investments include endowment funds, which are donor-restricted endowments and funds designated by the Board as endowments. Income from our endowment is without restriction and available for general use. These investments are subject to our spending policy discussed in Note

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10. Although we don't intend to spend from the board-designated portion of the investment endowments of \$843,340 (other than amounts appropriated for general expenditure as part of our Board's annual budget), this amount could be made available if necessary. Distributions from the beneficial interests in assets held by Community Foundation are under the control of the Community Foundation and reflect expected distributions based on the historical 4%-5% distribution rate.

NOTE 3. GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of reimbursements due under government cost-reimbursable and fee-for-service awards and unconditional promises to give to the Organization. All amounts are due in the next year, and no allowance for uncollectables is considered necessary.

At June 30, 2021, we received approximately \$4,039,000 in conditional promises to give under cost-reimbursable and fee-for-service awards, which will be recognized as revenue if and when allowable costs are incurred or services rendered.

NOTE 4. INVESTMENTS INFORMATION

Investments consist of the following at June 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Mutual income funds	\$ 1,405,079	\$ 1,127,838
Mutual equity funds	3,028,461	2,171,595
Mutual alternative investment funds	<u>153,660</u>	<u>106,726</u>
<i>Total investments</i>	<u>\$ 4,587,200</u>	<u>\$ 3,406,159</u>

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

Operating investments	\$ 3,396,225	\$ 2,643,803
Endowment investments	<u>1,190,975</u>	<u>762,356</u>
<i>Total investments</i>	<u>\$ 4,587,200</u>	<u>\$ 3,406,159</u>

Net investment return consists of the following for the years ended June 30, 2021 and 2020, respectively:

Interest on cash and cash equivalents	\$ 5,804	\$ 23,519
Interest and dividends on investments	73,178	74,196
Realized investment gains	275,927	42,082
Unrealized investment gains	716,859	66,730
Investment fees	(15,702)	(12,628)
Distributions from beneficial interests in assets held by Community Foundation	<u>58,668</u>	<u>56,196</u>
<i>Net investment return</i>	<u>\$ 1,114,734</u>	<u>\$ 250,095</u>

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NOTE 5. BENEFICIAL INTERESTS IN ASSETS HELD BY COMMUNITY FOUNDATION

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

The value of the portions of the funds attributable to our contributions was \$1,462,533 and \$1,151,174 at June 30, 2021 and 2020, respectively, which is reported as an asset in the accompanying consolidated statements of financial position. The change in value of those portions, net of distributions, for the years ended June 30, 2021 and 2020 was \$311,359 and \$24,900, respectively, which is included in revenue in the accompanying consolidated statements of activities. We received distributions from those portions of the funds of \$58,668 and \$56,196 during the years ended June 30, 2021 and 2020, respectively, which are included in net investment return.

The portions of the funds attributable to contributions by other donors are not recognized as assets since other donors established them and granted variance power to Community Foundation. We periodically receive distributions in the form of grants from those portions of the funds. The total value of those portions of the funds at June 30, 2021 and 2020 was \$5,489,083 and \$4,316,977, respectively. We received distributions from those portions of the funds of \$220,063 and \$201,413 during the years ended June 30, 2021 and 2020, respectively, which are included in contributions revenue.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Land	\$ 207,630	\$ 207,630
Buildings	3,705,019	3,684,315
Leasehold improvements	48,411	48,411
Program equipment	235,257	235,257
Vehicles	968,213	981,294
Office equipment	<u>238,801</u>	<u>238,801</u>
	5,403,331	5,395,708
Less accumulated depreciation	<u>(2,981,677)</u>	<u>(2,809,723)</u>
	2,421,654	2,585,985
Assets not yet in service	<u>52,824</u>	<u>-</u>
<i>Net property and equipment</i>	<u>\$ 2,474,478</u>	<u>\$ 2,585,985</u>

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NOTE 7. FAIR VALUE MEASUREMENTS

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

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

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

The fair value of assets measured on a recurring basis at June 30, 2021 and 2020, respectively, is as follows:

	Fair Value	Level 1	Level 2	Level 3
<i>June 30, 2021:</i>				
Investments	\$ 4,587,200	\$4,587,200	\$ -	\$ -
Beneficial interests in assets held by Community Foundation	<u>1,462,533</u>	<u>-</u>	<u>-</u>	<u>1,462,533</u>
<i>Totals</i>	<u>\$ 6,049,733</u>	<u>\$4,587,200</u>	<u>\$ -</u>	<u>\$ 1,462,533</u>
 <i>June 30, 2020:</i>				
Investments	\$ 3,406,159	\$3,406,159	\$ -	\$ -
Beneficial interests in assets held by Community Foundation	<u>1,151,174</u>	<u>-</u>	<u>-</u>	<u>1,151,174</u>
<i>Totals</i>	<u>\$ 4,557,333</u>	<u>\$3,406,159</u>	<u>\$ -</u>	<u>\$ 1,151,174</u>

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

The following is a reconciliation of beginning and ending balances of the beneficial interests in assets held by Community Foundation that is measured by Level 3 inputs for the years ended June 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Beginning fair value	\$ 1,151,174	\$ 1,126,274
Distributions	(58,668)	(56,196)
Change in value	<u>370,027</u>	<u>81,096</u>
<i>Ending fair value</i>	<u>\$ 1,462,533</u>	<u>\$ 1,151,174</u>

The change in value of the beneficial interests in assets held by Community Foundation is included in revenue in the accompanying consolidated statements of activities. All the above Level 3 changes in value are attributable to changes in the value of assets held by Community Foundation at June 30, 2021 and 2020, respectively.

NOTE 8. DEBT INFORMATION

In April 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act, which includes the Paycheck Protection Program (PPP), was enacted into law. PPP is a loan program through U.S. Small Business Administration (SBA) and its participating banks in which loans can be forgiven for expenditures of loan proceeds incurred in the eight or twenty-four weeks following the origination date of the loan for certain payroll costs, rents, mortgage interest, and utilities. The amount forgiven is reduced proportionally by any reduction in employees retained or in payroll reduced. In May 2020 we received a PPP loan for \$830,000. The loan had no collateral or guarantees, was subject to an interest rate of 1%, with payments of principal and interest beginning in December 2020, and was due in full in May 2022. We received full forgiveness of this loan and accrued interest in May 2021, and consequently recognized the entire \$830,000 of principal and \$8,573 of accrued interest as revenue in the 2021 statement of activities.

We maintain a \$500,000 bank line of credit, bearing interest at 35 basis points below prime, collateralized by substantially all our assets except real estate. No borrowings were outstanding on the line at either June 30, 2021 or 2020.

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following periods or purposes at June 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purposes:		
Meal Program	\$ 683,841	\$ 650,989
Weatherization	48,406	38,259
Local crime victims	32,999	32,999
Care transitions	17,666	17,666
Caregiver Connection	718,915	473,164

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	<u>2021</u>	<u>2020</u>
Client self-sufficiency programs	29,967	29,967
Utility assistance programs	47,360	37,242
Guardianship programs	135,117	135,117
Alzheimer's programs	140,901	136,994
Kitchen project	243,760	243,760
Transportation vans	92,599	86,168
Foster Grandparents	56,041	55,915
Case Management	125,704	125,704
Meals on Wheels	163,716	34,215
Food truck	23,337	26,839
Milton Village	-	442,175
Other	3,499	3,499
	<u>2,563,828</u>	<u>2,570,672</u>
Not subject to spending policy or appropriation: Held by Community Foundation and restricted by donor for Caregiver Connection program	<u>500,000</u>	<u>500,000</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 3,063,828</u>	<u>\$ 3,070,672</u>

Net assets were released from restrictions by incurring expenses satisfying restricted purposes specified by donors as follows for the years ended June 30, 2021 and 2020, respectively:

Case Management	\$ 34,640	\$ 16,357
Caregiver Connection	-	11
Meals on Wheels	134,130	9,140
Utility assistance programs	9,632	20,023
Guardianship programs	224,657	197,121
Alzheimer's program	92,696	181,836
Meal program	5,107	69,094
Food truck	37,746	56,838
Transportation	3,364	20,743
Weatherization program	15,918	4,192
Milton Village	442,175	28,945
Foster Grandparents	130	-
<i>Total net assets released</i>	<u>\$ 1,000,195</u>	<u>\$ 604,300</u>

NOTE 10. ENDOWMENT INFORMATION

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

REAL SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

Our governing board has interpreted the State of Indiana Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment, and b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

The Endowment was composed of the following net asset classes at June 30, 2021 and 2020, respectively:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>At June 30, 2021</u>			
Board-designated endowment funds	\$1,469,505	\$ -	\$1,469,505
Donor-restricted endowment funds	-	347,635	347,635
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	<u>-</u>	<u>500,000</u>	<u>500,000</u>
<i>Totals</i>	<u>\$1,469,505</u>	<u>\$ 847,635</u>	<u>\$2,137,140</u>
<u>At June 30, 2020</u>			
Board-designated endowment funds	\$ 997,937	\$ -	\$ 997,937
Donor-restricted endowment funds	-	256,850	256,850
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	<u>-</u>	<u>500,000</u>	<u>500,000</u>
<i>Totals</i>	<u>\$ 997,937</u>	<u>\$ 756,850</u>	<u>\$ 1,754,787</u>

REAL SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

Changes in the Endowment for the years ended June 30, 2020 and 2021, respectively, are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balances June 30, 2019	\$ 482,280	\$ 500,000	\$ 982,280
Contributions	500,000	237,264	737,264
Investment return	39,786	66,402	106,188
Distributions by Community Foundation	(24,129)	(46,816)	(70,945)
<i>Balances June 30, 2020</i>	997,937	756,850	1,754,787
Contributions	141,000	-	141,000
Investment return	355,766	124,255	480,021
Distributions by Community Foundation	(25,198)	(33,470)	(58,668)
<i>Balances June 30, 2021</i>	<u>\$ 1,469,505</u>	<u>\$ 847,635</u>	<u>\$ 2,317,140</u>

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

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

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

If the total return on investments (both income and appreciation) for the twelve months ending on the preceding June 30, less the sum of the Consumer Price Index for that year plus one percent, is less than the applicable distribution percentage, the distribution percentage is the greater of the

REAL SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

result of that calculation or 4%. No distribution to us will be made during the first two fiscal years of the Endowment Funds.

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

NOTE 11. LEASE INFORMATION

We lease certain facilities and equipment under non-cancelable operating leases expiring in various months through July 2024. Minimum future rental payments under these leases as of June 30, 2021 for each of the next four years and in the aggregate are as follows:

2022	\$ 102,402
2023	50,375
2024	46,474
2025	<u>5,142</u>
<i>Total minimum future rental payments</i>	<u>\$ 204,393</u>

Total rent expense for these and other short-term leases was \$137,663 and \$152,513 for the years ended June 30, 2021 and 2020, respectively.

NOTE 12. EMPLOYEE BENEFIT PLANS

We maintain a defined-contribution tax-deferred annuity pension plan covering substantially all of our employees. Pension costs are funded in the period that they accrue. Pension expense was \$281,688 and \$278,899 for the years ended June 30, 2021 and 2020, respectively.

We maintain a self-funded medical plan for our full-time employees that is managed by a third-party administrator. We have purchased a stop-loss insurance policy for the plan that reimburses us for individual claims in excess of \$30,000 annually. We fund a separate bank account that is restricted for payment of claims and insurance. We have recorded accruals for our estimated portion of self-insured claims based on estimated claims incurred through June 30, 2021 and 2020, respectively.

We also maintain an executive retirement plan that is designed in accordance with Section 457(b) of the Internal Revenue Code. Participants are designated by the Board of Directors. We generally make discretionary annual contributions on a calendar year basis into the plan on behalf of each participant. The funds deposited into this plan remain assets of the Organization until such time that the participant withdraws the funds in accordance with the plan provisions. Assets held in this plan were \$206,918 and \$202,872 at June 30, 2021 and 2020, respectively, and corresponding liabilities, including unfunded estimated accrued amounts, are reported in the consolidated statements of financial position. Retirement plan expense under this plan was \$29,000 and \$41,050, respectively, for the years ended June 30, 2021 and 2020.

REAL SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 13. CONCENTRATIONS

All of our programs and activities occur in Northern Indiana; consequently, our sources of support and revenue may be affected by conditions in that area. In addition, for the year ended June 30, 2021, approximately 83% of total revenues were from state and federal government sources, with approximately 36% of total revenues from Indiana Housing and Community Development Authority, 30% from Indiana Family and Social Services Administration, and 12% from Indiana Medicaid. For the year ended June 30, 2020, approximately 85% of total revenues were from state and federal government sources, with approximately 36% of total revenues from Indiana Housing and Community Development Authority, 31% from Indiana Family and Social Services Administration, and 14% from Indiana Medicaid.

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents and grants and contracts receivable. We have cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation and are not otherwise collateralized. At June 30, 2021 we had approximately \$90,000 of cash on deposit with financial institutions that exceeded federal deposit insurance coverage and are not otherwise collateralized. In addition, grants and contracts receivable are due primarily from agencies of the State of Indiana, which represents a concentration of credit risk.

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2021

<u>Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Provided to Subrecipients</u>	<u>Total Expenditures</u>
Federal Assistance				
<i>Department of Housing and Urban Development:</i>				
CDBG - Entitlement Grants Cluster:				
Passed-through City of Mishawaka:				
Community Development Block Grants/ Entitlement Grants	14.218	n/a	\$ -	\$ 51,303
Community Development Block Grants/ Entitlement Grants	14.218	n/a	-	60
Passed-through City of South Bend:				
Community Development Block Grants/ Entitlement Grants	14.218	20-CV-51	-	145,574
<i>Total CDBG - Entitlement Grants Cluster</i>			-	196,937
Passed-through Indiana Housing and Community Development Authority:				
COVID-19 Emergency Solutions Grant Program	14.231	ESHP-CV-020-0021	-	1,565,861
<i>Total Department of Housing and Urban Development</i>			-	1,762,798
<i>Department of Transportation:</i>				
Transit Services Programs Cluster				
Passed-through South Bend Public Transportation Corporation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	-	29,455
<i>Department of Treasury:</i>				
Passed-through Indiana Housing and Community Development Authority:				
COVID-19 Coronavirus Relief Fund	21.019	RAF	-	8,755
Passed-through Indiana Family and Social Services Administration:				
COVID-19 Coronavirus Relief Fund	21.019	44294	-	1,123,257
<i>Total Coronavirus Relief Fund</i>			-	1,132,012
Passed-through Indiana Housing and Community Development Authority:				
COVID-19 Emergency Rental Assistance Program	21.023	IERA-PP-026	-	5,400
Passed-through St. Joseph County:				
COVID-19 Emergency Rental Assistance Program	21.023	n/a	-	521,135
<i>Total Emergency Rental Assistance Program</i>			-	526,535
<i>Total Department of Treasury</i>			-	1,658,547
<i>Department of Energy:</i>				
Passed-through Indiana Housing and Community Development Authority:				
Weatherization Assistance for Low-Income Persons	81.042	WX-020-020/WX-021-020	-	166,900
<i>Department of Health and Human Services:</i>				
Passed-through Indiana Family and Social Services Administration:				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect and Exploitation				
	93.041	49706	-	8,987
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals				
	93.042	38304/49706	-	32,172
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services				
	93.043	38304/49706	-	16,974

The accompanying notes are an integral part of this schedule.

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2021

<u>Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Provided to Subrecipients</u>	<u>Total Expenditures</u>
Aging Cluster:				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	38304/49706	-	220,115
COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	42907	4,027	133,886
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	38304/49706	188,179	794,658
COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	94.044	42907	<u>40,420</u>	<u>57,735</u>
<i>Total Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers</i>			<u>232,626</u>	<u>1,206,394</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	38304/49706	99,828	1,013,457
COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	52432	<u>141,607</u>	<u>593,158</u>
<i>Total Special Programs for the Aging, Title III, Part C, Nutrition Services</i>			<u>241,435</u>	<u>1,606,615</u>
Nutrition Services Incentive Program	93.053	49706	-	16,505
<i>Total Aging Cluster</i>			<u>474,061</u>	<u>2,829,514</u>
National Family Caregiver Support, Title III, Part E	93.052	38304/49706	-	296,956
COVID-19 National Family Caregiver Support, Title III, Part E	93.052	42907	-	129,487
<i>Total National Family Caregiver Support, Title III, Part E</i>			<u>-</u>	<u>426,443</u>
Social Services Block Grant	93.667	38304/49706	5,629	926,758
Medicaid Cluster:				
Medical Assistance Program	93.778	44185	-	719,683
Passed-through Indiana Association of Area Agencies on Aging:				
Special Programs for the Aging, Title IV and Title II, Discretionary Projects	93.048	n/a	-	3,117
Passed-through Indiana Housing and Community Development Authority:				
Low-Income Home Energy Assistance	93.568	LI-020-020/LI-021-020	-	5,852,173
COVID-19 Low-Income Home Energy Assistance	93.568	LI-CV-020-020	-	579,935
Low-Income Home Energy Assistance	93.568	WL-020-020/WL-021-020	<u>-</u>	<u>250,734</u>
<i>Total Low-Income Home Energy Assistance</i>			<u>-</u>	<u>6,682,842</u>
Passed-through Trustees of Indiana University:				
Alzheimer's Disease Program Initiative (ADPI)	93.470	8621-REAL	<u>-</u>	<u>17,082</u>

The accompanying notes are an integral part of this schedule.

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2021

<u>Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Provided to Subrecipients</u>	<u>Total Expenditures</u>
<i>Passed-through Indiana Department of Insurance:</i>				
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	n/a	-	425
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
<i>477 Cluster:</i>				
Community Services Block Grant	93.569	CS-020-020/CS-021-020	192,023	834,293
COVID-19 Community Services Block Grant	93.569	CS-CV-020-020	27,190	351,079
<i>Total 477 Cluster</i>			<u>219,213</u>	<u>1,185,372</u>
<i>Total Department of Health and Human Services</i>			<u>698,903</u>	<u>12,849,369</u>
<i>Corporation for National and Community Service:</i>				
<i>Foster Grandparent/Senior Companion Cluster:</i>				
Foster Grandparent Program	94.011	18SFNIN005	-	<u>184,393</u>
<i>Department of Homeland Security:</i>				
<i>Passed-Through Emergency Food and Shelter National Board:</i>				
Emergency Food and Shelter National Board Program	97.024	n/a	-	<u>5,000</u>
Total expenditures of federal awards			<u>\$ 698,903</u>	<u>\$ 16,656,462</u>
Nonfederal Assistance				
<i>Passed-Through Indiana Family and Social Services Administration:</i>				
CHOICE		45490	\$ -	\$ 1,966,030
Assisted Living Ombudsman		45490	-	7,696
Older Hoosier Act		45490	-	78,410
Medicaid reimbursements		n/a	-	3,412,951
Indiana Supreme Court - VASIA		n/a	-	96,623
<i>Total expenditures of state awards</i>			<u>-</u>	<u>5,561,710</u>
<i>Local Area Agency:</i>				
Area 12 Liaison		n/a	-	<u>15,279</u>
Total expenditures of nonfederal awards			<u>\$ -</u>	<u>\$ 5,576,989</u>

The accompanying notes are an integral part of this schedule.

REAL SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AND
NONFEDERAL AWARDS
Year Ended June 30, 2021

NOTE 1. BASIS OF PRESENTATION

The accompanying consolidated schedule of expenditures of federal and nonfederal awards (the Schedule) includes the federal and nonfederal award activities of Real Services, Inc. and Affiliates under programs of the federal and nonfederal governments for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Real Services, Inc. and Affiliates, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of Real Services, Inc. and Affiliates.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Indiana Housing and Community Development Authority (IHCDA) makes energy assistance payments for participants in the Low-Income Home Energy Assistance Program, Federal Assistance Listing Number #93.568, directly to the energy providers on behalf of entities administering the program. Because the Organization performs all intake functions and is liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers, totaling \$5,824,764 are included in federal expenditures in the accompanying Schedule.

NOTE 3. INDIRECT COST RATE

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

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

During the year ended June 30, 2021, REAL Services, Inc. did not receive donated personal protective equipment from federal sources.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of REAL Services, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated January 19, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered REAL Services, Inc. and Affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of REAL Services, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of REAL Services, Inc. and Affiliates' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether REAL Services, Inc. and Affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cullen & Associates, P.C.

South Bend, Indiana
January 19, 2022



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

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

Report on Compliance for Each Major Federal Program

We have audited REAL Services, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of REAL Services, Inc. and Affiliates' major federal programs for the year ended June 30, 2021. REAL Services, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of REAL Services, Inc. and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about REAL Services, Inc. and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, REAL Services, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Cullen & Associates, P.C.

South Bend, Indiana
January 19, 2022

REAL SERVICES, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America-	Unmodified
Internal control over financial reporting-	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major federal programs-

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.231	COVID-19 Emergency Solutions Grant Program
21.019	COVID-19 Coronavirus Relief Fund
21.023	COVID-19 Emergency Rental Assistance Program
93.569	477 Cluster - Community Services Block Grant

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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REAL SERVICES, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section II - Financial Statements Findings

There were no findings in the financial statements audit.

Section III – Federal Award Findings and Questioned Costs

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



SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2021



There were no findings in the June 30, 2020 audit.

Real Services, Inc.
1151 S. Michigan St.
P.O. Box 1835
South Bend, IN 46634
Phone: 574.233.8205
Toll Free: 800.552.2916
Fax: 574.284.2642

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

Community Services
574.284.2060

Energy Assistance
574.232.6501
800.225.3367
Fax: 574.236.4891

Meals on Wheels
Nutrition Services
574.256.1649

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