

SPAN, INCORPORATED

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
SPAN, Incorporated
Denton, Texas

Opinion

We have audited the accompanying financial statements of SPAN, Incorporated (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPAN, Incorporated as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SPAN, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SPAN, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SPAN, Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SPAN, Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit findings, and certain internal control related matters we identified during the audit.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2024, on our consideration of SPAN, Incorporated'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 SPAN, Incorporated's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

February 6, 2024

FINANCIAL SECTION

SPAN, INCORPORATED

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$ 982,227	
Accounts receivable	898,191	
Accrued interest receivable	10,050	
Prepaid expenses	<u>53,699</u>	
Total Current Assets		\$ 1,944,167

Property and equipment:

Land	181,100	
Building	624,730	
Transportation equipment	2,779,289	
Office/Shop furniture and equipment	<u>241,767</u>	
	3,826,886	
Less accumulated depreciation	<u>(2,481,126)</u>	
Net Property and Equipment		<u>1,345,760</u>

Total Assets \$ 3,289,927

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 82,164	
Deferred Income	<u>18,889</u>	
Total Current Liabilities		\$ 101,053

Net Assets:

Without donor restriction	3,180,911	
With donor restriction	<u>7,963</u>	
Total Net Assets		<u>3,188,874</u>

Total Liabilities and
Net Assets \$ 3,289,927

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

SPAN, INCORPORATED

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Support and Revenue:			
Support			
Contributions	\$ 240,813	\$ 15,550	\$ 256,363
Support from local governments	216,570		216,570
United Way	20,206		20,206
Total Support	<u>477,589</u>	<u>15,550</u>	<u>493,139</u>
Revenue:			
Transportation grants	3,397,407		3,397,407
Transportation contracts	42,392		42,392
Aging grants	820,743		820,743
Aging contracts	102,298		102,298
Transportation program income	147,228		147,228
Meals program income	25,638		25,638
Miscellaneous	2,314		2,314
Fundraising	34,570		34,570
Gain on disposition of assets	35,127		35,127
Interest income	16,478		16,478
Total Revenue	<u>4,624,195</u>	<u>-</u>	<u>4,624,195</u>
Net assets released from restrictions:			
Satisfaction of usage restrictions	16,333	(16,333)	-
Total Support and Revenue	<u>5,118,117</u>	<u>(783)</u>	<u>5,117,334</u>
Expenses:			
Functional Expenses:			
Transportation program	2,850,484		2,850,484
Senior citizen meals and other services	1,231,463		1,231,463
Management and general	540,611		540,611
Fundraising	97,276		97,276
Total Expenses	<u>4,719,834</u>	<u>-</u>	<u>4,719,834</u>
Change in net assets	<u>398,283</u>	<u>(783)</u>	<u>397,500</u>
Net Assets, Beginning of Year	<u>2,782,628</u>	<u>8,746</u>	<u>2,791,374</u>
Net Assets, End of Year	<u>\$ 3,180,911</u>	<u>\$ 7,963</u>	<u>\$ 3,188,874</u>

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

SPAN, INCORPORATED

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023

Cash Flows From Operating Activities:

Change in net assets	\$ 397,500	
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	293,107	
Increase in accounts receivable	(238,085)	
Increase in accrued interest receivable	(10,050)	
Decrease in prepaid expenses	24,923	
Increase in accounts payable	15,340	
Increase in deferred income	3,971	
Gain on disposition of assets	<u>(35,127)</u>	
Net Cash Provided By Operating Activities		\$ 451,579

Cash Flows From Investing Activities:

Proceeds from sale of assets	35,127	
Purchase of property and equipment	<u>(667,731)</u>	
Net Cash Used by Investing Activities		<u>(632,604)</u>

Net decrease in cash and cash equivalents	(181,025)
Cash and cash equivalents - September 30, 2022	<u>1,163,252</u>
Cash and cash equivalents - September 30, 2023	<u>\$ 982,227</u>

Supplemental disclosure:

Interest paid during the year	\$	-
Income taxes paid during the year	\$	-

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

SPAN, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023

	<u>Transportation</u>	<u>Senior Citizen Meal and Other Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	1,395,912	340,239	430,626	43,404	2,210,181
Payroll taxes	109,639	26,246	30,574	3,397	169,856
Workers compensation ins.	64,028	16,462	18,110	2,012	100,612
Health insurance	96,200	18,908	25,899	2,878	143,885
Retirement	13,063	1,708	3,323	369	18,463
Travel	756	3,363	-	-	4,119
Occupancy	108,427	27,781	8,835	2,209	147,252
Insurance	63,232	3,133	1,674	314	68,353
Telephone	6,698	1,722	744	140	9,304
Office expense	16,169	7,834	2,728	546	27,277
Conferences and meetings	12,135	3,945	1,422	267	17,769
Advertising	20,042	6,798	-	-	26,840
Professional fees	17,623	4,014	1,913	359	23,909
Computer & equipment expenses	86,829	15,213	9,020	1,691	112,753
Fundraising expenses	-	-	-	39,690	39,690
Fuel and oil	274,335	-	-	-	274,335
Licensing	6,766	-	-	-	6,766
Vehicle repairs & maintenance	182,825	-	-	-	182,825
Tolls	17,615	-	-	-	17,615
Health & background screenings	20,300	-	-	-	20,300
Uniforms	5,295	-	-	-	5,295
Miscellaneous	36,387	5,904	3,814	-	46,105
Cost of meals	-	724,350	-	-	724,350
Supplies and fees	10,815	18,058	-	-	28,873
Total expenses before deprec.	<u>2,565,091</u>	<u>1,225,678</u>	<u>538,682</u>	<u>97,276</u>	<u>4,426,727</u>
Depreciation of property & equip	<u>285,393</u>	<u>5,785</u>	<u>1,929</u>	<u>-</u>	<u>293,107</u>
Total expenses	<u><u>2,850,484</u></u>	<u><u>1,231,463</u></u>	<u><u>540,611</u></u>	<u><u>97,276</u></u>	<u><u>4,719,834</u></u>

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

SPAN, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

SPAN, Incorporated (SPAN) is a not-for-profit agency established to provide transportation, meals and other services to senior citizens and others within the community.

B. Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restriction - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restriction - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

C. Description of Programs

Transportation - SPAN provides transportation programs for citizens throughout Denton County. Programs include demand response transportation in Denton County for senior citizens, persons with disabilities, and the general public. Funding for these programs is provided through Federal and State transportation grants and contracts; fares and donations received from riders; and local public and private support.

Senior Citizen Meals and Other Services - Daily (Monday through Friday) hot meals are served to senior citizens at eight sites throughout Denton County. The program also includes home delivered meals to qualifying home-bound senior citizens. In March 2020, SPAN temporarily closed all of the congregate meal locations in response to the coronavirus pandemic. At that time, SPAN began home-delivery of meals to the effected individuals. In August 2021, SPAN reopened all congregate meal locations. Funding for the meal programs is provided by Federal and State aging grants and contracts, donations from meal recipients and local public and private support. SPAN also provides a variety of programs for senior citizens including information and referral and recreational activities at senior centers.

D. Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

SPAN, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property and Equipment

Expenditures for property and equipment are stated at cost. Donated property and equipment is recorded at its estimated fair market value at the date of donation. The organization capitalizes property and equipment purchases that exceed \$5,000.

Depreciation of property and equipment is calculated on the straight-line method over the following estimated useful lives:

Buildings	31.5 years
Vehicles	4-10 years
Equipment	4-8 years
Furniture and fixtures	7-10 years

F. Contributed Services and Materials

SPAN receives donated services from a variety of unpaid volunteers assisting SPAN in its programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

G. Income Taxes

SPAN is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from Federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. SPAN is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, SPAN is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that SPAN is not subject to unrelated business income tax and has not filed an Exempt Organization Business Tax Return (Form 990-T) with the IRS.

H. Functional Allocation of Expenses

The costs of providing SPAN's various programs and supporting services have been reported on a functional basis in the statement of activities in order to present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SPAN, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash Equivalents

For purposes of the statement of cash flows, SPAN considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

J. Estimates

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

NOTE 2 – CONCENTRATIONS OF RISK

SPAN maintains several bank accounts at two banks and one credit union. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash held at Wells Fargo Bank and Bank of the West exceeded Federally insured limits at certain times during the year. At September 30, 2023, cash balances at Wells Fargo Bank were \$473,781 and Bank of the West were \$256,759.

SPAN receives a significant portion of its revenues under transportation grants from Texas Department of Transportation (TXDOT) and North Central Texas Council of Governments (NCTCOG). Revenue from these grants were \$1,807,995 from TXDOT and \$1,518,508 from NCTCOG during the year ended September 30, 2023.

SPAN also received \$862,102 in aging and transportation grants from the Area Agency on Aging.

NOTE 3 – RETIREMENT PLAN

SPAN sponsors a retirement plan for its employees. The plan is a salary reduction retirement plan under Internal Revenue Code Section 403(b). Under the plan, employees can elect to contribute to the plan, up to Internal Revenue Code limits. SPAN matches eligible employee's contributions up to three percent of the employee's compensation. During the fiscal year ended September 30, 2023, SPAN contributed \$18,463 in matching contributions to the plan.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, investments, accounts receivable, accrued interest receivable, and accounts payable reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

SPAN, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 5 – SUBSEQUENT EVENTS

Management has reviewed events subsequent to September 30, 2023 through February 6, 2024, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

NOTE 6 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without donor restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents-unrestricted	\$	982,227
Accounts receivable		898,191
Accrued interest receivable		<u>10,050</u>
		<u>1,890,468</u>

FEDERAL AWARDS SECTION

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**

A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

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P.O. BOX 977
DENTON, TX 76202-0977

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INDEPENDENT AUDITORS' 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
SPAN, Incorporated
Denton, Texas

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 SPAN, Incorporated (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SPAN, Incorporated'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*.

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 the 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.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

February 6, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
SPAN, Incorporated
Denton, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited SPAN, Incorporated's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of SPAN, Incorporated's major federal programs for the year ended September 30, 2023. SPAN, Incorporated's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

In our opinion, SPAN, Incorporated 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 September 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SPAN, Incorporated and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a legal determination of SPAN, Incorporated's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirement of laws, statutes, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SPAN Incorporated's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with

generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about SPAN, Incorporated's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SPAN, Incorporated's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SPAN, Incorporated's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SPAN, Incorporated's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

February 6, 2024

SPAN, INCORPORATED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported.
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed which are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
Aging Cluster:	
Title III, Part B	FALN 93.044
Title III, Part C	FALN 93.045
Federal Transit – Formula Grants (Urbanized Area Formula Program)	FALN 20.507
Dollar threshold used for distinguishing between Type A and Type B federal programs?	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

None

III. Federal Awards Findings and Questioned Costs

None

SPAN, INCORPORATED

SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED SEPTEMBER 30, 2023

PROGRAM

DESCRIPTION

No findings were noted in the prior year.

SPAN, INCORPORATED

CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2023

PROGRAM

DESCRIPTION

None required.

SPAN, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal FALN Number	Agency or Pass-Through Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Pass-through Texas Department on Aging: Contracted through the North Central Texas Council of Governments Area Agency on Aging:			
Aging Cluster:			
Title III, Part B – Supporting Services and Senior Centers *	93.044	088995790	\$ 51,444
Title III, Part C – Nutrition Services *	93.045	088995790	752,499
Participant Assessment	93.045	088995790	<u>29,100</u>
Subtotal – Aging Cluster			<u>833,044</u>
Total U.S. Department of Health and Human Services			<u>833,044</u>
<u>U.S. Department of Transportation</u>			
Pass-through Texas Department of Transportation:			
Public Transportation for Nonurbanized Areas	20.509	RPT-2101(26)045-20	170,462
	20.509	RPT-2201(26)063-21	343,715
	20.509	CAF-2101(26)072-20	29,046
	20.509	RPT-2301(26)051-22	404,618
	20.509	RPT-2402(18)108-23	8,142
	20.509	DIS-2301(18)014-23	<u>429,610</u>
Total FALN 20.509			<u>1,385,593</u>
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ED-2302(18)074-19	<u>30,000</u>
Total FALN 20.513			<u>30,000</u>
Buses & Bus Facilities	20.526	BBF-2301(18)050-22	<u>76,780</u>
Total FALN 20.526			<u>76,780</u>
Subtotal			<u>1,492,373</u>

SPAN, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal FALN <u>Number</u>	Agency or Pass-Through <u>Number</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Transportation (continued)</u>			
Pass-through North Central Texas Council of Governments:			
Federal Transit – Formula Grants (Urbanized Area Formula Program) **			
Discretionary	20.507	TX-2017-058-00	258,844
Cares Act	20.507	TX-2020-087-00	<u>912,402</u>
Total FALN 20.507			<u>1,171,246</u>
Enhanced Mobility of Seniors And Individuals with Disabilities	20.513	TX-2020-080-00	<u>347,262</u>
Total FALN 20.513			<u>347,262</u>
Subtotal			<u>1,518,508</u>
Total U.S. Department of Transportation			<u>3,010,881</u>
Total Expenditures of Federal Awards			<u>\$ 3,843,925</u>

* Clustered Programs – Aging Cluster

** Clustered Programs – Federal Transit Cluster

SPAN, INCORPORATED

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of SPAN, Incorporated (“SPAN”) under programs of the federal government for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of SPAN, it is not intended to and does not present the financial position, changes in net assets or cash flows of SPAN.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SPAN accounts for all awards under federal programs using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. This basis of accounting recognizes revenue in the accounting period in which they are earned, and expenses in the accounting period in which the liability is incurred. Expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable.