

PECKHAM, INC. AND SUBSIDIARIES

**REPORT ON CONSOLIDATED
FINANCIAL STATEMENTS
(with supplementary information)**

YEARS ENDED SEPTEMBER 30, 2022 AND 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Peckham, Inc. and Subsidiaries

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Peckham, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the effects of not consolidating all financially interrelated not-for-profit organizations described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peckham, Inc. and Subsidiaries as of September 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 1 to the consolidated financial statements, Peckham, Inc. and Subsidiaries does not consolidate all financially interrelated not-for-profit organizations in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that these entities be included in Peckham, Inc. and Subsidiaries consolidated financial statements. The effects on the accompanying consolidated financial statements of this departure from accounting principles generally accepted in the United States of America have not been determined.

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 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 Peckham, Inc. and Subsidiaries 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 qualified audit opinion.

Management's Responsibility for the 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 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 Peckham, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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, misrepresentations, 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Peckham, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Peckham, Inc. and Subsidiaries' 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, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, and 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*, are presented for purposes of additional analysis and are not a required part of the financial statements. The consolidating statements are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and change in net assets of the individual companies, and it 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 audits 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, except for the effects of not consolidating all financially interrelated not-for-profit organizations, 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 December 21, 2022, on our consideration of Peckham, Inc. and Subsidiaries' 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 Peckham, Inc. and Subsidiaries' 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 Peckham, Inc. and Subsidiaries internal control over financial reporting and compliance.

Other Information Included in the Organization's Annual Report

Management is responsible for the other information included in the Organization's annual report. The other information in the Organization's Annual Report comprises a letter to the community, summarized financial information, and mission-related accomplishments but it does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with the audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Maney Costerian PC

December 21, 2022

PECKHAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 33,546,958	\$ 8,800,378
Investments	-	2,000,000
Accounts and fees receivable less allowance for doubtful accounts of \$55,000 in 2022 and \$55,000 in 2021	26,324,413	41,261,082
Inventory	16,430,647	12,002,216
Prepaid expenses	2,607,842	2,452,719
Current portion of notes receivable	91,295	86,450
Total current assets	79,001,155	66,602,845
Noncurrent assets		
Investments	68,198,854	76,218,064
Deferred compensation investments	365,395	322,789
Notes receivable - less current portion	1,825,250	1,916,951
Property and equipment, net of accumulated depreciation	58,711,836	59,418,330
Total noncurrent assets	129,101,335	137,876,134
TOTAL ASSETS	\$ 208,102,490	\$ 204,478,979

See notes to consolidated financial statements.

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Bank line of credit	\$ -	\$ 2,000,000
Accounts payable	5,574,479	6,128,932
Accrued payroll and related items	2,515,417	5,441,948
Accrued paid time off	3,134,854	3,134,854
Accrued mission alignment incentive	7,411,903	3,552,674
Accrued retirement	3,331,812	3,056,270
Accrued contributions - Foundation	1,728,319	2,411,202
Reserve for incurred but not reported medical claims	1,600,000	1,600,000
Other accrued expenses	<u>12,476</u>	<u>27,416</u>
Total current liabilities	25,309,260	27,353,296
Deferred compensation	<u>365,395</u>	<u>322,789</u>
TOTAL LIABILITIES	25,674,655	27,676,085
NET ASSETS		
Without donor restrictions - undesignated	<u>182,427,835</u>	<u>176,802,894</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 208,102,490</u></u>	<u><u>\$ 204,478,979</u></u>

See notes to consolidated financial statements.

PECKHAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Program revenues	\$ 239,675,353	\$ 204,340,202
Investment return, net	(9,549,856)	11,850,656
Other	795,292	787,305
TOTAL REVENUES	230,920,789	216,978,163
EXPENSES		
Program services		
Rehabilitation and human services	9,538,377	8,128,192
Manufacturing	73,969,118	62,180,583
Business services	76,242,611	67,384,983
Supply chain solutions	36,937,052	34,362,904
Environmental services	6,568,258	5,374,577
Food services	1,480,471	1,398,712
Foundation contributions	3,000,000	3,000,000
	207,735,887	181,829,951
Support services		
Management and general	17,559,961	16,291,213
TOTAL EXPENSES	225,295,848	198,121,164
CHANGE IN NET ASSETS	5,624,941	18,856,999
NET ASSETS, beginning of year	176,802,894	157,945,895
NET ASSETS, end of year	\$ 182,427,835	\$ 176,802,894

See notes to consolidated financial statements.

PECKHAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services							Support Services		Total
	Rehabilitation and Human Services	Manufacturing	Business Services	Supply Chain Solutions	Environmental Services	Food Services	Foundation Contributions	Indirect and Allocated	Management and General	
Salaries, fringes, and related taxes	\$ 6,727,710	\$ 28,913,399	\$ 51,414,944	\$ 17,296,293	\$ 5,917,096	\$ 563,723	\$ -	\$ 2,547,868	\$ 10,962,868	\$ 124,343,901
Direct materials, supplies and services	1,777,082	32,945,238	3,291,043	6,307,232	321,838	357,815	-	263,897	-	45,264,145
Computer amortization and office expense	91,443	46,107	2,915,398	259,639	1,355	2,079	-	127,214	2,425,959	5,869,194
Professional - legal and accounting	-	1,575	104,516	-	-	-	-	-	121,318	227,409
Consulting fees and temporary help	93,474	53,171	101,223	42,571	26,225	73	-	1,669	1,037,482	1,355,888
Subcontract expense	-	5,554,854	11,144,714	-	-	-	-	-	-	16,699,568
Insurance - board and corporate	15,517	-	-	1,601,051	-	102	-	40,994	330,237	1,987,901
Equipment repairs and maintenance	21,406	363,931	154,208	438,744	23,392	14,246	-	154,075	297,528	1,467,530
Equipment rental	96	10,032	-	767	-	7,861	-	27,656	6,374	52,786
Building repairs	3,703	136	2,842	1,440	-	15,181	-	744,218	-	767,520
Occupancy	59,873	168	10,625	13,083	41,559	74,469	-	2,595,703	4,699	2,800,179
Transportation (including insurance)	44,856	52,470	73,771	30,905	51,249	2,846	-	78,347	102,609	437,053
Telecommunication	44,509	34,341	265,000	25,741	58,160	2,286	-	130,448	273,008	833,493
Staff development	59,719	10,966	38,124	2,062	2,188	-	-	4,034	128,185	245,278
Depreciation	36,627	473,511	1,422,230	509,907	47,692	322,776	-	5,390,256	533,069	8,736,068
Small equipment and furniture purchases	7,081	36,250	35,977	6,525	15,699	10,226	-	92,942	67,156	271,856
Miscellaneous	111,891	194,978	358,634	45,465	32,555	7,038	-	8,818	1,095,645	1,855,024
Rent	113,585	-	2,100,740	1,704,554	-	-	-	5,109,761	-	9,028,640
Interest	-	-	-	-	-	-	-	-	7,415	7,415
Contributions	45,000	-	-	-	-	-	3,000,000	-	-	3,045,000
NET TOTAL EXPENSES	9,253,572	68,691,127	73,433,989	28,285,979	6,539,008	1,380,721	3,000,000	17,317,900	17,393,552	225,295,848
Cost of occupancy	284,805	5,277,991	2,808,622	8,651,073	29,250	99,750	-	(17,317,900)	166,409	-
TOTAL EXPENSES	\$ 9,538,377	\$ 73,969,118	\$ 76,242,611	\$ 36,937,052	\$ 6,568,258	\$ 1,480,471	\$ 3,000,000	\$ -	\$ 17,559,961	\$ 225,295,848

See notes to consolidated financial statements.

PECKHAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services							Support Services		Totals
	Rehabilitation and Human Services	Manufacturing	Business Services	Supply Chain Solutions	Environmental Services	Food Services	Foundation Contributions	Indirect and Allocated	Management and General	
Salaries, fringes, and related taxes	\$ 5,823,603	\$ 27,461,234	\$ 47,071,101	\$ 15,243,402	\$ 4,850,606	\$ 536,658	\$ -	\$ 2,560,517	\$ 10,329,322	\$ 113,876,443
Direct materials, supplies and services	1,362,206	27,071,515	2,920,659	6,578,296	272,259	282,741	-	232,556	-	38,720,232
Computer amortization and office expense	176,976	86,810	3,108,073	184,162	4,340	1,837	-	130,776	2,442,106	6,135,080
Professional - legal and accounting	-	1,271	104,481	-	-	-	-	-	100,246	205,998
Consulting fees and temporary help	97,800	61,124	354,452	27,923	24,967	1,025	-	32,535	1,142,439	1,742,265
Subcontract expense	-	1,097,266	6,916,495	-	-	-	-	-	-	8,013,761
Insurance - board and corporate	3,497	-	-	1,333,091	1,218	-	-	32,651	53,937	1,424,394
Equipment repairs and maintenance	25,666	401,578	159,622	427,472	22,083	27,176	-	296,510	455,469	1,815,576
Equipment rental	-	17,913	5,188	575	-	13,286	-	3,766	4,960	45,688
Building repairs	6,165	-	11,004	2,504	-	18,075	-	658,675	-	696,423
Occupancy	101,258	1,679	2,416	4,874	39,161	73,861	-	2,493,596	-	2,716,845
Transportation (including insurance)	20,819	27,934	46,318	14,037	24,745	3,620	-	45,738	47,757	230,968
Telecommunication	41,863	34,327	370,374	22,037	55,470	1,794	-	145,795	233,181	904,841
Staff development	58,117	10,716	95,020	4,734	700	40	-	240	63,087	232,654
Depreciation	46,377	439,574	1,501,824	340,515	54,166	308,804	-	4,943,888	501,499	8,136,647
Small equipment and furniture purchases	10,363	37,586	31,982	7,708	7,958	12,910	-	176,086	33,675	318,268
Miscellaneous	50,730	96,852	321,045	31,365	8,774	10,360	-	19,482	477,946	1,016,554
Rent	47,591	800	2,040,451	1,704,554	-	-	-	5,026,232	-	8,819,628
Bad debts	22,492	-	-	-	-	-	-	-	-	22,492
Interest	-	-	-	-	-	-	-	132	46,275	46,407
Contributions	-	-	-	-	-	-	3,000,000	-	-	3,000,000
NET TOTAL EXPENSES	7,895,523	56,848,179	65,060,505	25,927,249	5,366,447	1,292,187	3,000,000	16,799,175	15,931,899	198,121,164
Cost of occupancy	232,669	5,332,404	2,324,478	8,435,655	8,130	106,525	-	(16,799,175)	359,314	-
TOTAL EXPENSES	\$ 8,128,192	\$ 62,180,583	\$ 67,384,983	\$ 34,362,904	\$ 5,374,577	\$ 1,398,712	\$ 3,000,000	\$ -	\$ 16,291,213	\$ 198,121,164

See notes to consolidated financial statements.

PECKHAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Increase in net assets	\$ 5,624,941	\$ 18,856,999
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation/amortization	11,202,069	10,868,851
(Gain) loss on disposal of equipment	21,342	85,322
Realized and unrealized loss (gain) on investments	10,778,256	(10,663,822)
Accounts and fees receivable	14,936,669	(14,752,174)
Inventory	(4,428,431)	2,251,049
Prepaid expenses	(155,123)	(1,071,268)
Accounts payable	(554,453)	618,233
Accrued payroll and related items	(2,926,531)	812,332
Accrued paid time off	-	369,010
Accrued mission alignment incentive	3,859,229	(309,076)
Accrued retirement	275,542	(541,100)
Accrued contributions - Foundation	(682,883)	1,102,005
Deferred compensation	42,606	119,245
Other accrued expenses	(14,940)	(5,340)
Total adjustments	32,353,352	(11,116,733)
Net cash provided by operating activities	37,978,293	7,740,266
Cash flows from investing activities		
Purchases of investments	(16,805,518)	(3,119,830)
Sale of investments	16,046,472	2,047,399
(Purchase) sale of deferred compensation investments	(42,606)	(119,245)
Purchases of property and equipment	(10,516,917)	(7,845,402)
Collections on notes receivable	86,856	82,239
Net cash used by investing activities	(11,231,713)	(8,954,839)
Cash flows from financing activities		
Net borrowing (repayment) on bank line of credit	(2,000,000)	(3,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,746,580	(4,214,573)
CASH AND CASH EQUIVALENTS		
Beginning of year	8,800,378	13,014,951
End of year	\$ 33,546,958	\$ 8,800,378
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 7,415	\$ 46,407

See notes to consolidated financial statements.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

Principles of Consolidation

The consolidated financial statements include the accounts of Peckham, Inc., its controlled affiliate, Peckham Diversified, and the affiliated organizations in which Peckham, Inc. is the sole corporate member, Peckham Holding Company, Inc., Peckham Holding Company 2, Inc. and Peckham Real Estate Holdings Company, Inc. All material intercompany transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include temporary cash deposits and highly liquid investments, which have an original maturity of three months or less. Cash and cash equivalents held in the investment portfolio are excluded from cash and cash equivalents in reporting cash flows.

Investments and Investment Return

Investments are stated at fair value. Net investment return is included in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. Investments are recorded as long-term as it is management's intent to hold for long-term purposes and not spend in the next 12 months. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investment for the year, or since the acquisition date, if acquired during the year.

Investments are managed by professional advisors subject to the Organization's investment policy. The degree and concentration of market and credit risk vary by type of investment.

Accounts and Fees Receivable

Accounts receivable represent consideration from third-parties, of which the Organization has an unconditional right to receive. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The valuation allowance was \$55,000 at September 30, 2022 and 2021. Changes to the valuation allowance have not been material to the financial statements. Beginning and ending balances for accounts receivable for 2022 was \$41,316,082 and \$26,379,413, respectively. Beginning and ending balances for accounts receivable for 2021 was \$26,563,908 and \$41,316,082, respectively.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notes Receivable

Notes receivable include amounts loaned to finance the purchase of land and construction of facilities for a related party. Other notes receivable include amounts loaned for sale of property. Notes receivable are reported at their outstanding unpaid principal balance. Interest is accrued on the unpaid principal balance. The Organization monitors the credit quality of borrowers through an assessment including a review of the borrower's financial information annually. At September 30, the Organization is owed:

	2022	2021
Financing for land and facilities	\$ 1,651,135	\$ 1,731,459
Property sold	265,410	271,942
	1,916,545	2,003,401
Less current portion	(91,295)	(86,450)
	\$ 1,825,250	\$ 1,916,951

The need for an allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. As of September 30, 2022 and 2021, an allowance of \$0 was recorded.

Inventory

Inventory consists primarily of raw materials and finished goods and is valued at the lower of first-in, first-out cost or market. Maintenance, operating and office supplies are not inventoried.

Property and Equipment

Assets are recorded at cost and are depreciated over their estimated useful lives using the straight-line method. Peckham, Inc. and Subsidiaries capitalizes purchases, which are greater than \$5,000. Group purchases of individual items less than \$5,000 may be capitalized.

Long-lived Assets

Peckham, Inc. evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Accrued Compensated Absences

Benefits are recorded when earned rather than when paid.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

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 or grantor restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. The Organization does not have net assets with donor restrictions as of September 30, 2022 and 2021.

Revenue and Revenue Recognition

The Organization generally measures revenue based on the amount of consideration it expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under the contract, except in transactions where U.S. GAAP provides other applicable guidance. Material revenue streams are discussed below.

Apparel Manufacturing

Apparel manufacturing revenue consists of products manufactured for a fixed or determinable fee based on contractual terms. Product revenue is recognized at a point in time when shipping has occurred, and collectability is probable. The Organization does not offer price concessions or discounts. The Organization is generally not obligated to accept returns, except for defective products.

Business Services

Business services revenue consists of contracts for call centers and is recorded as related expenditures are incurred and services are performed under the provisions of the agreements. Fees are earned over time as services are performed as a series of distinct events. This includes a mix of fees earned on a per contract per month basis and call volume.

Supply Chain Solutions

Supply chain solutions revenue consists of performing specified tasks (typically warehousing and kitting) over the course of the contract. The performance obligation is met as the tasks are performed and revenue is recognized over time as the customer receives the benefit of performance.

Environmental Services

Environmental services revenue consists of cleaning services performed according to the scope and frequency specified in the contracts. The performance obligation is met as services are rendered and revenue is recognized over time as the customer both receives and consumes the benefit of performance.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

The following schedule shows the Organization's revenues disaggregated according to the timing of transfer of goods or services for the years ended September 30:

	2022	2021
Contract revenue recognized at a point in time		
Apparel manufacturing	\$ 78,527,691	\$ 59,709,612
Other	428,382	312,552
Contract revenue recognized over time		
Business services	99,066,298	90,243,837
Supply chain solutions	41,557,473	38,545,826
Environmental services	7,950,121	6,191,546
Other	758,307	786,295
Total contract revenue	228,288,272	195,789,668
Grants and contributions	12,182,373	9,337,839
Investment return, net	(9,549,856)	11,850,656
TOTAL REVENUES	\$ 230,920,789	\$ 216,978,163

Contribution Revenue

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts and investment income having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Grants revenue results from agreements, typically with government agencies, corporations, or individuals that fund specific activities for the Organization. An agreement is a conditional contribution if its primary purpose is to enable the Organization to provide a service to, or maintain a facility for, the direct benefit of the individuals served or the general public rather than to serve the direct needs of the granting or contracting party. In other words, the agreement is a conditional contribution if any benefit to the granting or contracting party is indirect and insubstantial as compared to the public benefit.

Conditional contributions are recognized as the Organization incurs qualifying expenditures in compliance with rules and regulations established by the grantor, who is typically a state or federal awarding agency. The grants are paid on a cost-reimbursement basis, most often by drawdowns of the grant funds. Any unused funds are forfeited, and if any expenditures are unallowed, the Organization may be required to refund the amounts drawn down. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution Revenue (continued)

Donor-restricted contributions that were initially conditional contributions and for which donor-imposed conditions and restrictions are met in the same reporting period are recorded as support without donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities has been summarized on a functional basis on the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Organization. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on a basis of estimated use of resources. Allocated expenses primarily consist of employee wages and benefits, occupancy, depreciation, and rent and various other expense classifications necessary to support the day-to-day operations of the Organization. All other allocated expenses utilize square footage to attribute expenses to program and support services.

Peckham, Inc. and Subsidiaries does not consolidate certain financially interrelated not-for-profit organizations in the financial statements. Management believes not combining these organizations provides a better presentation of the operations of Peckham, Inc. Accounting principles generally accepted in the United States of America require consolidation of majority owned subsidiaries and all financially interrelated not-for-profit organizations in which Peckham, Inc. and Subsidiaries has control and economic interest, as defined. For Peckham, Inc. and Subsidiaries these entities would include the following:

Peckham Housing Corporation (Capital Gardens) - A not-for-profit housing corporation

Peckham Nonprofit Housing Corporation (Independence Square) - A not-for-profit housing corporation

University Rehabilitation Alliance (URA) d/b/a Origami - A not-for-profit joint venture with Michigan State University, of which 50% is under common control with Peckham, Inc.

Peckham Community Partnership Foundation - A not-for-profit foundation

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES

Peckham Vocational Industries, Inc. (doing business as) Peckham, Inc. is a nonprofit organization headquartered in Lansing, Michigan with several locations throughout primarily Michigan and other states and is organized under the provisions of Section 501(c)(3) of the Internal Revenue Code, and as such it is not subject to income taxes. The nature of Peckham, Inc. and Subsidiaries is to provide vocational rehabilitation services to persons with disabilities, which will assist them to achieve their maximum level of vocational, economic and social development. Such services are provided to assist individuals to become as independently functioning as possible and include services such as vocational evaluation, work adjustment training, which include manufacturing, custodial, call service and other business services, community placement and supportive employment, housing and educational assistance and contributions to the Peckham Community Partnership Foundation.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)

The above services are recorded in the following *major programs*:

The **Rehabilitation and Human Services Program** offers more than 25 different rehabilitation and human services programs from art to career planning, pre-employment screening to facility-based training, youth programs to organizational employment and residential services. A wide range of services are offered with a focus on job readiness skills, career exploration, resume development, interviewing, guided job searches. Programs also help develop interpersonal and coping skills to enhance job retention.

The **Manufacturing Program** focuses on providing meaningful vocational training to persons with disabilities in the field of manufacturing. Individuals in this program produce numerous products, including manufacturing apparel and related products, automotive assembly, specializing in small assembly work, specialty jobs and light manufacturing.

The **Business Services Program** continues to develop diverse, technology-based office environment jobs for persons with disabilities. Training opportunities for clients include contact centers, mailing and fulfillment, records management, administrative support, document management, mailroom, clerical support and other business services.

The **Supply Chain Solutions Program** offers supply chain training and related job opportunities to persons with disabilities. Clients manage inventory, pick, pack, and prepare hundreds of packages each day for distribution, using the latest technology and processes to ensure quality and on time delivery.

The **Environmental Services Program** focuses on providing environmental training opportunities to persons with disabilities, including advanced training in the latest equipment, products and specialty cleaning services. Clients are trained, tested and certified in general office cleaning, rest room cleaning, carpet cleaning and restoration, hard floor maintenance and safety.

The **Food Services Program** offers cafeteria/catering and farming training and related job opportunities to persons with disabilities. Cafeteria/catering clients help inventory, prepare food, maintain kitchen equipment, learn about nutrition and food labels, and serve more than 300 meals a day at two different Peckham locations. They help prepare and cater more than 200 meetings/events annually. Farming clients help plant, weed, water, harvest and prepare produce, herbs and flowers for sale to Peckham staff and the public. They maintain farm equipment and farm buildings. They learn about sustainable, organic and eco-friendly farming techniques as well as integrated pest management systems.

The **Foundation Program** focuses on contributions to the Peckham Community Partnership Foundation whose purpose is to provide support to Peckham, Inc. The **Peckham Community Partnership Foundation** provides support to Peckham, Inc., by funding services and programs where little other funding exists, filling critical gaps that can make a difference in the lives of those striving for greater independence. The Peckham Community Partnership Foundation supports a variety of program initiatives, while also expanding its efforts to provide community enrichment, volunteerism and self-empowerment opportunities for people with disabilities.

Peckham Diversified is a nonprofit corporation organized under the provisions of Section 501(c)(3) of the Internal Revenue Code, and as such is not subject to income taxes. The nature of the organization is to provide a wide range of opportunities to maximize human potential for persons striving for independence and self-sufficiency.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES (continued)

Peckham Holding Company, Inc. is a nonprofit corporation organized under the provisions of Section 501(c)(2) of the Internal Revenue Code, and as such is not subject to income taxes. The nature of the Corporation is to acquire, own, develop, rent and operate real estate to Peckham, Inc. The Corporation is organized exclusively to hold, own, operate, and lease property to Peckham, Inc. its sole member.

Peckham Holding Company 2, Inc. is a nonprofit corporation organized under the provisions of Section 501(c)(2) of the Internal Revenue Code, and as such is not subject to income taxes. The nature of the Corporation is to acquire, own, develop, rent and operate real estate to Peckham, Inc. The Corporation is organized exclusively to hold, own, operate, and lease property to Peckham, Inc. its sole member.

Peckham Real Estate Holdings Company, Inc. is a nonprofit corporation organized under the provisions of Section 501(c)(2) of the Internal Revenue Code, and as such is not be subject to income taxes. The nature of the Corporation is to acquire, own, develop, rent and operate real estate to Peckham, Inc. The Corporation is organized exclusively to hold, own, operate, and lease property to Peckham, Inc. its sole member.

The process of preparing 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 financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Financial instruments which potentially subject the company to concentrations of credit risk consist principally of cash and cash equivalents, investments and trade receivables.

Peckham, Inc. and Subsidiaries places its cash and cash equivalents with FDIC insured financial institutions. Although such investments and cash balances exceeded the federally insured limits at certain times during the year and at year end, they are, in the opinion of management, subject to minimal risk.

Peckham, Inc. and Subsidiaries has established policies for extending credit and provides an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Concentrations of credit risk with respect to trade receivables is primarily with Peckham, Inc. and Subsidiaries' three largest customers.

Peckham, Inc. has two customers that generate revenue in excess of 10% of total program revenue. These customers represent revenue of 43% and 29% totaling approximately 72% of total program revenue in 2022. Two customers represented 56% of accounts receivable at September 30, 2022. In 2021, two customers in total represented 60% of revenue and 68% of accounts receivable. In addition, Peckham, Inc. and Subsidiaries purchased approximately 25% of their required materials from one vendor. In 2021 one vendor was 15%.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified or recorded as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

Peckham, Inc. and Subsidiaries evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through December 21, 2022, which was the date the financial statements were available for issue.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES (continued)

Peckham, Inc. and Subsidiaries invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements. Investments in marketable securities represent diversified holdings of stocks, bonds, mutual funds and other securities.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

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

	2022	2021
Cash and cash equivalents	\$ 33,546,958	\$ 8,800,378
Investments	68,198,854	78,218,064
Accounts and fees receivable, net	26,324,413	41,261,082
Current portion of notes receivable	91,295	86,450
Financial assets available to meet cash needs for general expenditures within one year	\$ 128,161,520	\$ 128,365,974

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Included in financial assets available are investments that are considered long term on the statement of financial position but could be used to meet general expenditures. The Organization has various sources of liquidity at its disposal, including cash and lines of credit. See Note 7 for further explanations of these lines of credit.

NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS

At September 30, investments are reported in the statements of financial position as follows:

	2022	2021
Investments - current	\$ -	\$ 2,000,000
Investments - noncurrent	68,198,854	76,218,064
Deferred compensation investments	365,395	322,789
Total investments	\$ 68,564,249	\$ 78,540,853

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The Organization is required to disclose amounts within a framework established for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in the active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2022 and 2021.

Mutual Funds: Valued at the daily closing prices reported by the fund. Funds held by the Organization are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded.

Equity Securities: Valued at the price reported on the active market on which the individual securities are traded.

Debt Securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available for securities of issuers with similar credit ratings.

Insurance Contracts: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Hedge Funds and Private Equity Funds: Valued at the net asset value (NAV) of the units held at year end.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

The following are market value summaries by the level of the inputs used, as of September 30, 2022, in evaluating Peckham, Inc. and Subsidiaries' assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	2022				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Cash and money markets	\$ 6,666,743	\$ 6,666,743	\$ -	\$ -	\$ 6,666,743
Mutual funds	15,065,400	14,699,492	-	-	14,699,492
Equity securities	25,318,235	27,635,969	-	-	27,635,969
Debt securities	2,070,474	-	1,782,882	-	1,782,882
Insurance contracts	4,035,497	-	4,070,071	-	4,070,071
Total investments in the fair value hierarchy	53,156,349	<u>\$ 49,002,204</u>	<u>\$ 5,852,953</u>	<u>\$ -</u>	54,855,157
Investments measured at net asset value	<u>11,135,538</u>				<u>13,709,092</u>
Total investments	<u>\$ 64,291,887</u>				<u>\$ 68,564,249</u>
Unrealized gain (loss)					<u>\$ 4,272,362</u>

The following is a market value summary by the level of inputs used, as of September 30, 2021.

	2021				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Cash and money markets	\$ 2,505,572	\$ 2,505,572	\$ -	\$ -	\$ 2,505,572
Mutual funds	25,063,060	28,318,656	-	-	28,318,656
Equity securities	20,886,387	28,063,287	-	-	28,063,287
Debt securities	5,478,220	-	5,590,173	-	5,590,173
Insurance contracts	4,035,639	-	5,696,897	-	5,696,897
Total investments in the fair value hierarchy	57,968,878	<u>\$ 58,887,515</u>	<u>\$ 11,287,070</u>	<u>\$ -</u>	70,174,585
Investments measured at net asset value	<u>6,492,267</u>				<u>8,366,268</u>
Total investments	<u>\$ 64,461,145</u>				<u>\$ 78,540,853</u>
Unrealized gain (loss)					<u>\$ 14,079,708</u>

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The following tables summarize investments measured at fair value based on NAV per share as of September 30, 2022 and 2021:

<u>September 30, 2022</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Hedge funds	\$ 2,338,538	\$ -	Varies	Varies
Private equity funds	<u>11,370,554</u>	<u>11,881,294</u>	Varies	Varies
	<u>\$ 13,709,092</u>	<u>\$ 11,881,294</u>		

<u>September 30, 2021</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Hedge funds	\$ 1,188,676	\$ -	Varies	Varies
Private equity funds	<u>7,177,592</u>	<u>6,557,567</u>	Varies	Varies
	<u>\$ 8,366,268</u>	<u>\$ 6,557,567</u>		

The insurance contracts have significant early termination fees. It is management's intent to hold it to maturity to avoid any such fees.

Investment return for the years ended September 30 are as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends, net of fees	\$ 1,228,400	\$ 1,186,834
Realized and unrealized gain (loss)	<u>(10,778,256)</u>	<u>10,663,822</u>
	<u>\$ (9,549,856)</u>	<u>\$ 11,850,656</u>

NOTE 5 - INVENTORY

Inventory is comprised of the following at September 30:

	<u>2022</u>	<u>2021</u>
Apparel and other raw materials	\$ 12,647,321	\$ 8,989,579
Finished goods and other	<u>3,783,326</u>	<u>3,012,637</u>
	<u>\$ 16,430,647</u>	<u>\$ 12,002,216</u>

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - PROPERTY AND EQUIPMENT

Major classes of property and equipment at September 30 consist of the following:

	Years of Useful Life	2022	2021
Land		\$ 3,823,815	\$ 3,823,815
Buildings	20 - 40	86,372,460	81,960,384
Equipment and software	3 - 15	92,746,933	86,670,960
Furniture and fixtures	5 - 10	7,290,417	7,259,494
Vehicles	4 - 7	1,038,135	1,000,115
Land improvements	5 - 40	<u>2,275,853</u>	<u>2,262,005</u>
		193,547,613	182,976,773
Less accumulated depreciation		<u>(134,835,777)</u>	<u>(123,558,443)</u>
Net property and equipment		<u>\$ 58,711,836</u>	<u>\$ 59,418,330</u>

Depreciation and amortization of software expense was \$11,202,069 in 2022 and \$10,868,851 in 2021.

Certain properties have been sold, at September 30, 2022 and 2021, \$265,410 and \$271,941 are recorded as note receivables for the sale of the properties, respectively. The principal balances are due November 2023 and November 2040. Other notes receivable are disclosed in Note 10.

NOTE 7 - LINES OF CREDIT

Peckham, Inc. and Subsidiaries has a \$25,000,000 line of credit from a bank. The line of credit is collateralized by the investment portfolio of Peckham, Inc. and Subsidiaries administered by the bank and bears interest for 2022 at the SOFR rate plus .71 percentage points and for 2021 at the LIBOR rate plus 0.75 percentage points. The balance outstanding on the line-of-credit was \$0 and \$2,000,000 as of September 30, 2022 and 2021, respectively. Interest rates at year end vary based on the amount outstanding, the ranges were between (.85%) and (3.69%) and between (.83%) and (.90%), for the years ended September 30, 2022 and 2021, respectively. The line of credit expires on April 28, 2023.

Peckham, Inc. and Subsidiaries has a \$20,000,000 line of credit from Peckham Community Partnership Foundation. There was no balance outstanding at September 30, 2022 and 2021.

Interest expense was \$7,415 and \$46,407 for the years ended September 30, 2022 and 2021.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

Peckham, Inc. rents warehouse and office space from unrelated parties under operating lease agreements with varying terms. Rental expense of approximately \$9,029,000 and \$8,820,000 was incurred for the years ended September 30, 2022 and 2021, respectively. Future operating lease commitments are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Commitment</u>
2023	\$ 6,152,089
2024	4,169,537
2025	<u>2,805,479</u>
	<u>\$ 13,127,105</u>

Litigation

In the ordinary course of business, the Organization is a party to claims and legal actions by vendors and other parties. The Organization's policy is to accrue for amounts related to these claims and legal actions if it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. The consolidated financial statements reflect any liabilities that meet this policy.

NOTE 9 - RETIREMENT AND BENEFIT PLANS

Peckham, Inc. and Subsidiaries maintains a qualified defined contribution retirement plan for substantially all full-time employees. Peckham, Inc. and Subsidiaries accrues discretionary retirement contributions. Retirement expense for this plan was \$3,230,161 and \$2,629,748 in 2022 and 2021, respectively. Retirement expenses may be less than accrued contributions due to forfeitures. Peckham, Inc. also maintains a 403(b) plan. There are no employer contributions to the 403(b) plan.

Peckham, Inc. and Subsidiaries maintain a self-insured health care plan (for substantially all full-time employees). Other employees are covered under fully insured plans. Peckham, Inc. and Subsidiaries has contracted with a third party insurance carrier to provide \$250,000 per participant in stop loss coverage. A liability estimate of \$1,600,000 and \$1,600,000 for incurred but not reported claims was recorded at September 30, 2022 and 2021, respectively.

Peckham, Inc. and Subsidiaries has entered into a deferred compensation agreement with certain key individuals. Under the agreement, the participants are entitled to deferred compensation upon separation from the company. Deferred compensation expense amounted to \$0 for each of the years ended September 30, 2022 and 2021. Deferred compensation expense includes earnings on the funded investment.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - AFFILIATE TRANSACTIONS

Peckham, Inc. provides certain administrative services to Peckham Housing Corporation (Capital Gardens), Peckham Nonprofit Housing Corporation (Independence Square), House of Ruth, and Origami. Peckham, Inc. was reimbursed for these services for the year ended September 30 as follows:

	<u>2022</u>	<u>2021</u>
Peckham Housing Corporation (Capital Gardens)	\$ 97,832	\$ 107,962
Peckham Nonprofit Housing Corporation (Independence Square)	121,045	125,301
House of Ruth	264,132	249,512
Origami	120,324	123,539

At September 30, Peckham, Inc. is owed:

	<u>2022</u>	<u>2021</u>
Peckham Housing Corporation (Capital Gardens)	\$ 65,972	\$ 69,205
Peckham Nonprofit Housing Corporation (Independence Square)	170,865	130,785
House of Ruth	108,642	202,993

Peckham, Inc., Peckham Housing Corporation, Peckham Nonprofit Housing Corporation, and Origami have common board members.

In 2007, Peckham, Inc. loaned \$1,300,000 to Origami for purchase of land, construction and equipping of a building, and initial operating costs. Origami is to repay this loan in monthly payments of \$14,463 including interest at 5.5% which amounted to \$88,695 and \$93,262 in interest income for the years ended September 30, 2022 and 2021, respectively. In 2015, Peckham, Inc. committed an additional \$1,500,000 to Origami for the construction of additional facilities. The note receivable balance was \$1,651,135 and \$1,731,459 at September 30, 2022 and 2021, respectively. The current portion was \$84,856 and \$80,325 at September 30, 2022 and 2021, respectively. A trade receivable balance of \$10,056 and \$6,704 was also owed by Origami to Peckham, Inc. for the years ended September 30, 2022 and 2021, respectively.

In addition, Peckham has extended a revolving loan agreement to Origami allowing for up to \$1 million to be drawn at 3%. No amounts were outstanding as of September 30, 2022 and 2021.

Peckham, Inc. has approved a contribution to the Peckham Community Partnership Foundation (PCPF) of \$3,000,000 in 2022 and \$3,000,000 in 2021. At September 30, 2022, \$1,728,319 remains unpaid. Peckham, Inc. routinely incurs costs on behalf of the PCPF and is offsetting costs incurred against the unpaid balance. Grants made to Peckham, Inc. from PCPF amounted to \$3,632,569 and \$1,905,197 for the years ended September 30, 2022 and 2021, respectively.

SUPPLEMENTARY INFORMATION

PECKHAM, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022

	Peckham, Inc.	Peckham Diversified	Peckham Holding Company, Inc.	Peckham Holding Company 2, Inc.	Peckham Real Estate Holdings Company, Inc.	Eliminations	Total
ASSETS							
Current assets							
Cash and cash equivalents	\$ 33,445,667	\$ 101,291	\$ -	\$ -	\$ -	\$ -	\$ 33,546,958
Accounts and fees receivable less allowance for doubtful accounts of \$55,000	26,324,413	-	-	-	-	-	26,324,413
Accounts receivable - related party	25,128,093	-	-	-	-	(25,128,093)	-
Inventory	16,370,747	59,900	-	-	-	-	16,430,647
Prepaid expenses	2,559,583	48,259	-	-	-	-	2,607,842
Current portion of notes receivable	91,295	-	-	-	-	-	91,295
Total current assets	103,919,798	209,450	-	-	-	(25,128,093)	79,001,155
Noncurrent assets							
Investment in holding companies	(761,105)	-	-	-	-	761,105	-
Investments	68,198,854	-	-	-	-	-	68,198,854
Deferred compensation investments	365,395	-	-	-	-	-	365,395
Notes receivable - less current portion	1,745,537	-	-	-	79,713	-	1,825,250
Property and equipment, net of accumulated depreciation	24,832,558	-	14,089,782	5,077,596	14,711,900	-	58,711,836
Total noncurrent assets	94,381,239	-	14,089,782	5,077,596	14,791,613	761,105	129,101,335
TOTAL ASSETS	\$ 198,301,037	\$ 209,450	\$ 14,089,782	\$ 5,077,596	\$ 14,791,613	\$ (24,366,988)	\$ 208,102,490

	Peckham, Inc.	Peckham Diversified	Peckham Holding Company, Inc.	Peckham Holding Company 2, Inc.	Peckham Real Estate Holdings Company, Inc.	Eliminations	Total
LIABILITIES AND NET ASSETS							
LIABILITIES							
Current liabilities							
Accounts payable	\$ 5,574,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,574,479
Accounts payable - related party	-	12,548,541	4,969,000	3,675,552	3,935,000	(25,128,093)	-
Accrued payroll and related items	2,453,070	62,347	-	-	-	-	2,515,417
Accrued vacation pay	3,134,854	-	-	-	-	-	3,134,854
Accrued mission alignment incentive	7,410,103	1,800	-	-	-	-	7,411,903
Accrued pension	3,331,812	-	-	-	-	-	3,331,812
Accrued contributions - Foundation	1,728,319	-	-	-	-	-	1,728,319
Incurred but not reported medical claims	1,600,000	-	-	-	-	-	1,600,000
Other accrued expenses	17,616	(5,269)	129	-	-	-	12,476
	<u>25,250,253</u>	<u>12,607,419</u>	<u>4,969,129</u>	<u>3,675,552</u>	<u>3,935,000</u>	<u>(25,128,093)</u>	<u>25,309,260</u>
Total current liabilities							
Deferred compensation	365,395	-	-	-	-	-	365,395
	<u>365,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,395</u>
TOTAL LIABILITIES	25,615,648	12,607,419	4,969,129	3,675,552	3,935,000	(25,128,093)	25,674,655
	<u>25,615,648</u>	<u>12,607,419</u>	<u>4,969,129</u>	<u>3,675,552</u>	<u>3,935,000</u>	<u>(25,128,093)</u>	<u>25,674,655</u>
NET ASSETS							
Without donor restrictions - undesignated	172,685,389	(12,397,969)	9,120,653	1,402,044	10,856,613	761,105	182,427,835
	<u>172,685,389</u>	<u>(12,397,969)</u>	<u>9,120,653</u>	<u>1,402,044</u>	<u>10,856,613</u>	<u>761,105</u>	<u>182,427,835</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 198,301,037</u>	<u>\$ 209,450</u>	<u>\$ 14,089,782</u>	<u>\$ 5,077,596</u>	<u>\$ 14,791,613</u>	<u>\$ (24,366,988)</u>	<u>\$ 208,102,490</u>

PECKHAM, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

	Peckham, Inc.	Peckham Diversified	Peckham Holding Company, Inc.	Peckham Holding Company 2, Inc.	Peckham Real Estate Holdings Company, Inc.	Eliminations	Total
REVENUES							
Program revenues	\$ 234,319,106	\$ 5,356,247	\$ -	\$ -	\$ -	\$ -	\$ 239,675,353
Investment return, net	(9,555,452)	-	-	-	5,596	-	(9,549,856)
Other	3,500,129	-	900,000	960,000	2,480,812	(7,045,649)	795,292
TOTAL REVENUES	228,263,783	5,356,247	900,000	960,000	2,486,408	(7,045,649)	230,920,789
EXPENSES							
Program services							
Rehabilitation and human services	9,593,928	-	33,183	14,063	23,506	(126,303)	9,538,377
Manufacturing	72,892,870	3,962,994	250,654	105,253	175,932	(3,418,585)	73,969,118
Business services	77,146,707	-	260,606	539,875	184,607	(1,889,184)	76,242,611
Supply chain solutions	37,171,830	-	101,930	43,197	72,205	(452,110)	36,937,052
Environmental services	6,552,178	-	-	-	-	16,080	6,568,258
Food services	1,496,386	-	18,319	2,109	3,524	(39,867)	1,480,471
Foundation contributions	3,045,000	-	-	-	-	(45,000)	3,000,000
Support services							
Management and general	17,609,855	1,040,786	-	-	-	(1,090,680)	17,559,961
TOTAL EXPENSES	225,508,754	5,003,780	664,692	704,497	459,774	(7,045,649)	225,295,848
CHANGE IN NET ASSETS	2,755,029	352,467	235,308	255,503	2,026,634	-	5,624,941
NET ASSETS, beginning of year	169,930,360	(12,750,436)	8,981,345	1,506,540	10,680,792	(1,545,707)	176,802,894
Transfers of assets	-	-	(96,000)	(359,999)	(1,850,813)	2,306,812	-
NET ASSETS, end of year	\$ 172,685,389	\$ (12,397,969)	\$ 9,120,653	\$ 1,402,044	\$ 10,856,613	\$ 761,105	\$ 182,427,835

PECKHAM, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Capital Area Michigan Works Supplemental Nutrition Assistance Program Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FA-PVINGHAM-FY22	\$ 52,974
Total U.S. Department of Agriculture			<u>52,974</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct grants Continuum of Care Program	14.267	MI0278L5F231710	39,518
	14.267	MI0632L5F231800	<u>110,337</u>
Total U.S. Department of Housing and Urban Development			<u>149,855</u>
<u>U.S. Department of Justice</u>			
Passed through Institute for Educational Leadership Juvenile Mentoring Program	16.726	2019-JU-FX-0009	<u>87,895</u>
Total U.S. Department of Justice			<u>87,895</u>
<u>U.S. Department of Labor</u>			
Passed through Institute for Educational Leadership Reentry Employment Opportunities	17.270	YF-32159-18-60-A-11	<u>92,604</u>
Total ALN 17.270			<u>92,604</u>
Passed through Capital Area Michigan Works WIOA Cluster			
WIOA Adult Program	17.258	AD-PVIINGHAM-PY21	367,083
WIOA Adult Program	17.258	AD-PVIINGHAM-PY22	222,531
WIOA Adult Program	17.258	AD-PVIEATON-PY21	232,008
WIOA Adult Program	17.258	AD-PVIEATON-PY22	132,525
WIOA Adult Program	17.258	AD-PVICLINTON-PY21	155,601
WIOA Adult Program	17.258	AD-PVICLINTON-PY22	<u>56,045</u>
Total ALN 17.258			<u>1,165,793</u>
WIOA Dislocated Worker Formula Grants	17.278	DW-PVIINGHAM-PY21	114,465
WIOA Dislocated Worker Formula Grants	17.278	DW-PVIINGHAM-PY22	43,894
WIOA Dislocated Worker Formula Grants	17.278	DW-PVIEATON-PY21	88,671
WIOA Dislocated Worker Formula Grants	17.278	DW-PVIEATON-PY22	31,306
WIOA Dislocated Worker Formula Grants	17.278	DW-PVICLINTON-PY21	93,575
WIOA Dislocated Worker Formula Grants	17.278	DW-PVICLINTON-PY22	<u>13,208</u>
Total ALN 17.278			<u>385,119</u>
WIOA Youth Activities	17.259	YTH-PVI-PY21	356,328
WIOA Youth Activities	17.259	YTH-PVI-PY22	189,078
WIOA Youth Activities	17.259	YTH-PVI-SYP21	71,463
WIOA Youth Activities	17.259	YTH-PVI-SYP22	<u>52,650</u>
Total ALN 17.259			<u>669,519</u>
Total WIOA Cluster			<u>2,220,431</u>
WIA National Emergency Grants/WIOA National Dislocated Worker Grants	17.277	AY21 WIOA DWG	<u>30,030</u>
Total passed through Capital Area Michigan Works			<u>2,250,461</u>
Total U.S. Department of Labor			<u>2,343,065</u>

The accompanying notes are an integral part of this schedule.

PECKHAM, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Michigan AmeriCorps	94.006	21-MCSC-MACFF-04	<u>\$ 163,140</u>
Passed through Capital Area Michigan Works Temporary Assistance for Needy Families	93.558	PATH-PVIINGHAM-FY22	1,003,012
	93.558	PATH-PVIEATON-FY22	183,563
	93.558	PATH-PVICLINTON-FY22	<u>101,399</u>
Total ALN 93.558			<u>1,287,974</u>
Total U.S. Department of Health and Human Services			<u>1,451,114</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,084,903</u></u>

The accompanying notes are an integral part of this schedule.

PECKHAM, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Peckham, Inc. and Subsidiaries under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Peckham, Inc. and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets or cash flows of Peckham, Inc. and Subsidiaries.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Peckham, Inc. and Subsidiaries has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - PASS-THROUGH FUNDS

The Organization did not pass-through any federal funds to subrecipients.



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**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
Peckham, Inc. and Subsidiaries

We have audited, 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, the consolidated financial statements of Peckham, Inc. and Subsidiaries, which comprise the statement of financial position as of September 30, 2022, 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 December 21, 2022 which was qualified because the Organization does not consolidate all financially interrelated not-for-profit organizations in the consolidated financial statements.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Peckham, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Peckham, Inc. and Subsidiaries internal control. Accordingly, we do not express an opinion on the effectiveness of the Peckham, Inc. and Subsidiaries 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 Peckham, Inc. and Subsidiaries' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Manes Costeiran PC

December 21, 2022



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

To the Board of Directors
Peckham, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Peckham, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Peckham, Inc. and Subsidiaries' major federal programs for the year ended September 30, 2022. Peckham, Inc. and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Peckham, Inc. and Subsidiaries 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, 2022.

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 Peckham, Inc. and Subsidiaries and to meet our 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 basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Peckham, Inc. and Subsidiaries' 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 requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Peckham, Inc. and Subsidiaries' federal programs.

Auditor's 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 ABC Organization'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 judgment made by a reasonable user of the report on compliance about Peckham, Inc. and Subsidiaries' 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 Peckham, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Peckham, Inc. and Subsidiaries' 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Peckham, Inc. and Subsidiaries' 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 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 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 consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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.

Maney Costeiran PC

December 21, 2022

**PECKHAM, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Qualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

_____ Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
17.258, 17.259 & 17.278	Work Innovation and Opportunity Act Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**PECKHAM, INC. AND SUBSIDIARIES
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

There were no findings reported for the year ended September 30, 2021.