INDEPENDENT AUDITORS REPORT

INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR A FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE, AND OTHER MATTERS BASED ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
INDEPENDENT AUDITORS’ REPORT

Board of Directors
Lifespace, Inc.
West Des Moines, Iowa

Report on the Schedule of Expenditures of Federal Awards

Opinion
We have audited the accompanying schedule of expenditures of federal awards for the provider relief funds – assistance living number 93.498 of Lifespace, Inc. for the year ended December 31, 2022, and the related notes (the Schedule).

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of federal awards for the provider relief funds – assistance living number 93.498 of Lifespace, Inc. for the year ended December 31, 2022, 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 (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards); 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 the Schedule section of our report. We are required to be independent of Lifespace, Inc. 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.

Responsibilities of Management for the Schedule
Management is responsible for the preparation and fair presentation of the schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.
Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is 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 GAAS, Government Auditing Standards, and the Uniform Guidance 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 schedule.

In performing an audit in accordance with GAAS, 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 misstatement of the schedule, 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 schedule.
- 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 Lifespace, Inc.'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 schedule.

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.
Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2023, on our consideration of Lifespace, Inc. 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 the effectiveness of Lifespace, Inc.’s 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 Lifespace, Inc.’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 25, 2023
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR A FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Lifespace, Inc.
West Des Moines, Iowa

Report on Compliance for Provider Relief Funds – Assistance Living No. 93.498

Opinion on Compliance for Provider Relief Funds – Assistance Living No. 93.498

We have audited Lifespace Inc’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on its provider relief funds – assistance living number 93.498 for the year ended December 31, 2022.

In our opinion, Lifespace, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its provider relief funds – assistance living number 93.498 for the year ended December 31, 2022.

Basis for Opinion on Assistance Living No. 93.498

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award (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 Lifespace, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for provider relief funds – assistance living number 93.498. Our audit does not provide a legal determination of Lifespace, Inc.’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 requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to provider relief funds – assistance living number 93.498.
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 Lifespace, Inc.’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 GAAS, 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 Lifespace, Inc.’s compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, 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 Lifespace, Inc.’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 Lifespace, Inc.’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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lifespace, Inc.’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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003. Our opinion on each major federal award program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Lifespace, Inc.’s response to noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Lifespace, Inc.’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.
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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 and 2022-002, to be a material weakness. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003, to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section 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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. As discussed above, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Lifespace, Inc.’s response to noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Lifespace, Inc.’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

CliftonLarsonAllen LLP
Minneapolis, Minnesota
September 25, 2023
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Lifespace, Inc.
West Des Moines, Iowa

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 schedule of revenue (the schedule) of the U.S. Department of Health and Human Services awards of Lifespace, Inc., for the HHS Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution program for the periods of availability which ended in the year ended December 31, 2022, and the related notes to the schedule, and have issued our report thereon dated September 25, 2023.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the schedule, we considered Lifespace Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedule, but not for the purpose of expressing an opinion on the effectiveness of Lifespace, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Lifespace, Inc.’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s schedule 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 or significant deficiencies may exist that were not identified.
Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether Lifespace, Inc.'s schedule is 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 schedule. 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.

CliftonLarsonAllen LLP
Minneapolis, Minnesota
September 25, 2023
| Federal Grantor/Pass Through Grantor/ Listing Grantor's Federal Expenditures to Subrecipients |
|---|---|---|---|---|
| Program Title | Number | Number | Federal Expenditures | Passed Through |
| U.S. Department of Health and Human Services Programs: | | | | |
| COVID-19 Provider Relief Funding | 93.498 | NA | $1,257,586 | - |
| | | | $1,257,586 | - |
| Total Expenditures of Federal Awards | | | | |

See accompanying Notes to Schedule of Expenditures of Federal Awards.
NOTE 1  BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lifespace, Inc. (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the applicable 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 of expenditures of federal awards presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2  SIGNIFICANT ACCOUNTING POLICIES

No funds were identified as having been provided to subrecipients by the Organization and accordingly, no funds identified in the Schedule of Expenditures of Federal Awards are attributable to subrecipient entities. There were no federal awards expended for noncash assistance or insurance. The Organization has elected to use the 10% de minimis indirect cost rate allowable under the Uniform Guidance.
**Section I – Summary of Auditors’ Results**

**Financial Statements**

1. Type of auditors’ report issued: **Unmodified**

2. Internal control over financial reporting:
   - Material weakness(es) identified? □ yes □ x □ no
   - Significant deficiency(ies) identified? □ yes □ x □ none reported

3. Noncompliance material to financial statements noted? □ yes □ x □ no

**Federal Awards**

1. Internal control over major federal programs:
   - Material weakness(es) identified? □ x □ yes □ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? □ x □ yes □ no

2. Type of auditors’ report issued on compliance for major federal programs: **Unmodified**

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? □ x □ yes □ no

**Identification of Major Federal Programs**

<table>
<thead>
<tr>
<th>Federal Assistance Listing Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.498</td>
<td>COVID-19 Provider Relief Funding</td>
</tr>
</tbody>
</table>

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 – Findings and Questioned Costs – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

Section III – Findings and Questioned Costs – Major Federal Programs

2022-001

Federal agency: U.S Department of Health and Human Services

Federal program title: Provider Relief Fund

Assistance Living Number: 93.498

Type of Finding:

- Material Weakness in Internal Control over Compliance

Criteria or specific requirement: The Provider Relief Funds were provided under the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136, 134 Stat. 563) and are to be used to prevent, prepare for, and respond to coronavirus and that the funds shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus.

Condition: The Organization’s internal controls over compliance related to reporting were not effective.

Questioned costs: $49,894

Context: During the audit, it was determined that the Organization provided support for recorded expenses did not reconcile to the amount reported.

Cause: Management Oversight

Effect: The Organization’s internal controls around compliance were not effective.

Repeat Finding: 2021-001

Recommendation: We recommend that management review all expenditures for direct support.

Views of responsible officials: There is no disagreement with the audit finding.
2022-002

Federal agency: U.S Department of Health and Human Services

Federal program title: Provider Relief Fund
Assistance Living Number: 93.498
Type of Finding:
  - Material Weakness in Internal Control over Compliance

Criteria or specific requirement: The Provider Relief Funds were provided under the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136, 134 Stat. 563) and are to be used to prevent, prepare for, and respond to coronavirus and that the funds shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus.

Condition: The Organization’s internal controls over compliance related to documentation of support were not effective.

Questioned costs: $34

Context: During the audit, 1 of the 60 cash disbursements selected did not have direct support for the cost recorded on the Period 3 reporting.

Cause: Management Oversight

Effect: The Organization’s internal controls around compliance were not effective.

Repeat Finding: 2021-002

Recommendation: We recommend that management review all expenditures for direct support.

Views of responsible officials: There is no disagreement with the audit finding.
Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022-003

Federal agency: U.S Department of Health and Human Services

Federal program title: Provider Relief Fund

Assistance Living Number: 93.498

Type of Finding:

- Significant Deficiency in Internal Control over Compliance and Compliance

Criteria or specific requirement: The Provider Relief Funds were provided under the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136, 134 Stat. 563) and are to be used to prevent, prepare for, and respond to coronavirus and that the funds shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus.

Condition: The Organization’s internal controls over compliance related to allowable costs were not effective.

Questioned costs: $2,240

Context: During the audit, 1 of the 60 cash disbursements selected for reporting period 3 was not an allowable costs for targeted disbursements related to infection control.

Cause: Management Oversight

Effect: The Organization’s internal controls around compliance were not effective.

Repeat Finding: N/A

Recommendation: We recommend that management review all expenditures to ensure they are allowable costs.

Views of responsible officials: There is no disagreement with the audit finding.
FINANCIAL STATEMENTS AUDIT

No prior year findings

MAJOR FEDERAL AWARD PROGRAM AUDIT

2021-001

Criteria or specific requirement: The Provider Relief Funds were provided under the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136, 134 Stat. 563) and are to be used to prevent, prepare for, and respond to coronavirus and that the funds shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus.

Condition: The Organization’s internal controls over compliance related to documentation of support were not effective.

Recommendation: We recommend that management review all expenditures for direct support.

Status: See 2022-001

2022-002

Criteria or specific requirement: The Provider Relief Funds were provided under the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136, 134 Stat. 563) and are to be used to prevent, prepare for, and respond to coronavirus and that the funds shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus.

Condition: The Organization’s internal controls over compliance related to reporting were not effective.

Recommendation: We recommend that management review all expenditures for direct support.

Status: See 2022-002
U.S. Department of Health and Human Services

Lifespace Inc. respectfully submits the following corrective action plan for the year ended December 31, 2022.

Audit period: January 1, 2022 – December 31, 2022

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – MAJOR FEDERAL PROGRAMS AUDIT

Department of Health and Human Services

2022-001

**Provider Relief Funds – Assistance Listing No. 93.498**

**Recommendation:** We recommend that management review all expenditures for direct support.

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Action taken in response to finding:** Management will review and update their policies and procedures to ensure the accuracy of reporting.

**Name of the contact person responsible for corrective action:** Nick Harshfield, CFO

**Planned completion date for corrective action plan:** December 2023

2022-002

**Provider Relief Funds – Assistance Listing No. 93.498**

**Recommendation:** We recommend that management review all expenditures for direct support.

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Action taken in response to finding:** Management will review the policies around reporting to ensure the amounts reported are supported with directly identified expenses.

**Name of the contact person responsible for corrective action:** Nick Harshfield, CFO

**Planned completion date for corrective action plan:** December 2023
2023-002

Provider Relief Funds – Assistance Listing No. 93.498

Recommendation: We recommend that management review all expenditures to ensure they are allowable costs under the compliance requirements.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Management will review the policies around reporting to ensure the amounts reported are all allowable costs.

Name of the contact person responsible for corrective action: Nick Harshfield, CFO

Planned completion date for corrective action plan: December 2023

If the U.S. Department of Health and Human Services has any questions regarding this plan, please call Nick Harshfield at 952-948-6200.

Signature: Nick Harshfield, CFO