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February 5, 2018

Board of Directors  
The Starke County Youth Club, Inc.  
901 S. Main Street  
Starke, IN 46534

We have reviewed the report prepared by The Starke County Youth Club, Inc. and opined upon by Swartz, Retson & Co., PC, Independent Public Accountants, for the period June 1, 2015 to May 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of The Starke County Youth Club, Inc. as of May 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Swartz, Retson & Co., PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**THE STARKE COUNTY  
YOUTH CLUB, INC.**

MAY 31, 2016 AND 2015

SWARTZ, RETSON & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
235 E. 86<sup>TH</sup> AVENUE  
MERRILLVILLE, IN 46410

THE STARKE COUNTY YOUTH CLUB, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT .....	3
STATEMENTS OF FINANCIAL POSITION .....	4
STATEMENTS OF ACTIVITIES .....	5-6
STATEMENTS OF FUNCTIONAL EXPENSES .....	7-8
STATEMENTS OF CASH FLOWS .....	9
NOTES TO THE FINANCIAL STATEMENTS.....	10-13
SUPPLEMENTAL SCHEDULES	
SCHEDULE OF GOVERNMENTAL FUNDING .....	15
EXIT CONFERENCE.....	16



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Starke County Youth Club, Inc.  
901 S. Main Street  
Knox, IN 46534

We have audited the accompanying financial statements of The Starke County Youth Club, Inc., which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Starke County Youth Club, Inc. as of May 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of governmental funding is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Merrillville, IN  
July 31, 2016

**THE STARKE COUNTY YOUTH CLUB, INC.**

STATEMENTS OF FINANCIAL POSITION  
MAY 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 84,738	\$ 66,536
Grants Receivable – Net of Allowance of \$0 and \$0	65,640	161,400
Pledges Receivable – Net of Allowance of \$5,222 and \$5,691	6,508	15,093
Prepaid Expenses	3,812	3,700
Property and Equipment – Net	<u>780</u>	<u>960</u>
TOTAL ASSETS	<u>\$161,478</u>	<u>\$247,689</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 11,350	\$ 60,214
Accrued Payroll	00	17,391
Accrued Expenses and Taxes	<u>4,941</u>	<u>00</u>
Total Liabilities	<u>16,291</u>	<u>77,605</u>
NET ASSETS		
Unrestricted	138,638	170,084
Temporarily Restricted	<u>6,549</u>	<u>00</u>
Total Net Assets	<u>145,187</u>	<u>170,084</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$161,478</u>	<u>\$247,689</u>

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

**THE STARKE COUNTY YOUTH CLUB, INC.**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Government Grant Revenue	\$437,101	\$ 00	\$437,101
Other Grant Revenue	7,500	8,750	16,250
Donations	57,060	00	57,060
Membership Income	13,230	00	13,230
Fundraising Income	20,737	00	20,737
In-Kind Donations	8,000	00	8,000
Miscellaneous Income	<u>1,198</u>	<u>00</u>	<u>1,198</u>
Total Revenues, Gains, and Other Support Prior to Net Assets Released from Restrictions	544,826	8,750	553,576
Net Assets Released from Restrictions	<u>2,201</u>	<u>(2,201)</u>	<u>00</u>
Total Revenues, Gains, and Other Support	<u>547,027</u>	<u>6,549</u>	<u>553,576</u>
EXPENSES AND LOSSES			
Program Services	520,423	00	520,423
Management and General	42,360	00	42,360
Fundraising	<u>15,690</u>	<u>00</u>	<u>15,690</u>
Total Expenses	<u>578,473</u>	<u>00</u>	<u>578,473</u>
CHANGE IN NET ASSETS	(31,446)	6,549	(24,897)
NET ASSETS - Beginning of Year	<u>170,084</u>	<u>00</u>	<u>170,084</u>
NET ASSETS - End of Year	<u>\$138,638</u>	<u>\$ 6,549</u>	<u>\$145,187</u>

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

THE STARKE COUNTY YOUTH CLUB, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2015

	<u>Unrestricted</u>
REVENUES, GAINS, AND OTHER SUPPORT	
Government Grant Revenue	\$496,275
Other Grant Revenue	7,225
Donations	70,213
Membership Income	13,548
Fundraising Income	16,168
In-Kind Donations	8,000
Miscellaneous Income	<u>213</u>
Total Revenues, Gains, and Other Support	<u>611,642</u>
EXPENSES AND LOSSES	
Program Services	516,199
Management and General	34,889
Fundraising	<u>11,757</u>
Total Expenses	<u>562,845</u>
CHANGE IN NET ASSETS	48,797
NET ASSETS - Beginning of Year	<u>121,287</u>
NET ASSETS - End of Year	<u>\$170,084</u>

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

THE STARKE COUNTY YOUTH CLUB, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2016

	<u>Program Expenses</u>	<u>Mgmt &amp; General</u>	<u>Fund- raising</u>	<u>Total Expenses</u>
SALARIES AND RELATED EXPENSES				
Payroll Expense	\$346,752	\$ 23,500	\$ 00	\$370,252
Payroll Taxes	26,158	1,798	00	27,956
Health Benefits	<u>29,988</u>	<u>00</u>	<u>00</u>	<u>29,988</u>
Total Salaries and Related Expenses	402,898	25,298	00	428,196
Depreciation	180	00	00	180
Transportation	20,952	00	00	20,952
Insurance	5,298	1,420	00	6,718
Professional Services	2,379	9,500	1,470	13,349
Office Supplies	1,004	1,812	131	2,947
Postage	714	238	238	1,190
Professional Development	4,826	00	00	4,826
Technology	91	771	40	902
Small Equipment	446	00	00	446
Printing and Advertising	969	674	1,009	2,652
Travel	5,783	00	28	5,811
EZ Reports	4,800	00	00	4,800
Program Supplies	28,933	00	00	28,933
Evaluation	20,000	00	00	20,000
Fundraising Expense	00	00	12,641	12,641
Cell Phone	1,900	150	00	2,050
Rent	6,225	2,000	00	8,225
Fees	4,440	497	133	5,070
Bad Debts	<u>8,585</u>	<u>00</u>	<u>00</u>	<u>8,585</u>
TOTAL EXPENSES	<u>\$520,423</u>	<u>\$ 42,360</u>	<u>\$ 15,690</u>	<u>\$578,473</u>

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

**THE STARKE COUNTY YOUTH CLUB, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2015

	<u>Program Expenses</u>	<u>Mgmt &amp; General</u>	<u>Fund- raising</u>	<u>Total Expenses</u>
<b>SALARIES AND RELATED EXPENSES</b>				
Payroll Expense	\$335,694	\$ 23,000	\$ 00	\$358,694
Payroll Taxes	24,968	1,759	00	26,727
Health Benefits	<u>15,097</u>	<u>00</u>	<u>00</u>	<u>15,097</u>
Total Salaries and Related Expenses	375,759	24,759	00	400,518
Depreciation	180	00	00	180
Transportation	21,491	00	00	21,491
Insurance	5,226	1,307	00	6,533
Professional Services	5,833	1,242	00	7,075
Office Supplies	1,921	1,557	269	3,747
Postage	729	243	243	1,215
Professional Development	6,737	00	00	6,737
Technology	214	1,595	40	1,849
Small Equipment	5,911	136	00	6,047
Printing and Advertising	327	1,134	971	2,432
Travel	7,475	00	00	7,475
EZ Reports	4,800	00	00	4,800
Program Supplies	45,809	00	00	45,809
Evaluation	19,350	00	00	19,350
Fundraising Expense	00	00	10,013	10,013
Cell Phone	1,675	150	00	1,825
Rent	6,000	2,000	00	8,000
Fees	4,292	766	221	5,279
Bad Debts	2,452	00	00	2,452
Miscellaneous Expense	<u>18</u>	<u>00</u>	<u>00</u>	<u>18</u>
<b>TOTAL EXPENSES</b>	<u>\$516,199</u>	<u>\$ 34,889</u>	<u>\$ 11,757</u>	<u>\$562,845</u>

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

THE STARKE COUNTY YOUTH CLUB, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (24,897)	\$ 48,797
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities		
Depreciation	180	180
(Increase) Decrease in:		
Grants Receivable	95,760	(90,832)
Pledges Receivable	8,585	3,261
Prepaid Expenses	(112)	(254)
Increase (Decrease) in:		
Accounts Payable	(48,864)	39,868
Accrued Payroll	(17,391)	10,700
Accrued Expenses and Taxes	<u>4,941</u>	<u>00</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,202	11,720
CASH - Beginning of Year	<u>66,536</u>	<u>54,816</u>
CASH - End of Year	<u>\$ 84,738</u>	<u>\$ 66,536</u>

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

# THE STARKE COUNTY YOUTH CLUB, INC.

## NOTES TO THE FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Organization

The Starke County Youth Club, Inc. ("the Organization") supports children and families by providing a safe, enriching environment and with positive role models. The Organization's programs include after-school and summer programs and a recreational basketball program. The programs operate at schools throughout Starke County, Indiana. The after-school program operates in North Judson-San Pierre Elementary in North Judson (serving both elementary and middle school students), Oregon-Davis Elementary and Oregon-Davis Jr./Sr. High School in Hamlet, and Knox Middle School and Knox Community Elementary in Knox.

The Organization is primarily funded by 21<sup>st</sup> Century Community Learning Center grants which are provided by the United States Department of Education. The Indiana Department of Education is the pass-through agency for these funds.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, which is used for both income tax and financial reporting purposes.

#### Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes.

#### Advertising

Advertising costs are included in the account titled "Printing and Advertising" in the Statement of Functional Expenses. These costs are expensed as incurred. Printing and Advertising expense was \$2,652 and \$2,432 for the years ended May 31, 2016 and 2015, respectively.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

#### Use of Estimates in Preparation of Financial Statements

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

# THE STARKE COUNTY YOUTH CLUB, INC.

## NOTES TO THE FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### Property and Equipment

Property and equipment are carried at cost. Depreciation expense is computed using straight-line methods over the estimated useful life of the assets. The fair market values of donated assets are also capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. The depreciation expense was \$180 and \$180 for the years ended May 31, 2016 and 2015, respectively.

#### Cash

Cash, as presented on the accompanying statement of financial position and statement of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions.

#### Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with donors having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

#### Grants Receivable

The Organization maintains an allowance for doubtful accounts carried at an amount which bad accounts are reasonably expected not to exceed. Receivables are considered past due when payment is not received within the period allowed under terms of the sales. Periodically, the Organization's management reviews past due receivables and allows for all accounts deemed uncollectible after all reasonable collection efforts have been exhausted.

#### Income Taxes

The Organization qualified under the provisions of the Internal Revenue Code 501(c)(3) as a not-for-profit organization and, therefore is exempt from federal and state income taxes. The Organization is not classified as a private foundation.

#### Uncertain Tax Positions

The Organization adheres to the provisions of standards relating to uncertain tax positions. When applicable, changes in benefits arising from current and prior tax positions taken by the Organization are recognized in the period in which the change occurs. Changes resulting from settlements with taxing authorities are recognized in the period that settlement occurs. Reductions in unrecognized tax benefits as a result of a lapse of the applicable statute of limitations are recognized in the period the statute lapses. Projected penalties and interest recognized on tax positions where it is reasonably possible that the Organization's tax position will not prevail in a review by taxing authorities is recognized as part of current period income tax expense. Management believes that the current and three prior tax periods remain subject to examination by taxing jurisdictions.

**THE STARKE COUNTY YOUTH CLUB, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial Instruments and Credit Risk

The Organization is a not-for-profit corporation operating primarily in Starke County, Indiana. As such, the Organization's pledges and grants receivable are from donors and grantors within the same geographic region. The terms of the pledges and grants give rise to unsecured receivables, as is common industry practice. Unsecured pledges and grants receivable total \$77,370 and \$182,184 for the years ended May 31, 2016 and 2015, respectively.

NOTE 2 - PLEDGES RECEIVABLE

The Organization has pledges receivable from donors. Collection is expected to be as follows:

	Fiscal <u>2016</u>	Fiscal <u>2015</u>
Total Pledges Receivable - Due Within One Year	\$ 11,730	\$ 20,784
Less: Allowance for Doubtful Accounts	<u>5,222</u>	<u>5,691</u>
Total Pledges Receivable - Net	<u>\$ 6,508</u>	<u>\$ 15,093</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment on the accompanying statement of financial position includes the following:

	Fiscal <u>2016</u>	Fiscal <u>2015</u>
Office Equipment	\$ 1,800	\$ 1,800
Less: Accumulated Depreciation	<u>1,020</u>	<u>840</u>
Total Property and Equipment	<u>\$ 780</u>	<u>\$ 960</u>

NOTE 4 - CONCENTRATION OF REVENUE

For the years ending May 31, 2016 and 2015, the Organization received 79% and 81% of its revenue from the Indiana Department of Education. No determination has been made as to the effect on the financial statements should this source cease funding The Starke County Youth Club, Inc.

THE STARKE COUNTY YOUTH CLUB, INC.

NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2016 AND 2015

NOTE 5 - CONTRIBUTED FACILITY USAGE

The Organization uses space located in four schools to operate its programs. The Organization has a memorandum of understanding with the schools regarding the use of the facilities and pays no rent. The Organization records an in-kind contribution and rent expense based on the estimated fair market value of the space being used. During the years ended May 31, 2016 and 2015, the Organization recorded \$8,000 and \$8,000 as contributed facility usage.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

The Organization receives donor restricted grants for various purposes. In the years ended May 31, 2016 and 2015, temporarily restricted assets increased by \$8,750 and \$0, respectively, from grant income. During fiscal 2016 and 2015, \$2,201 and \$0, respectively, was released by expenditures made by the Organization. At May 31, 2016 and 2015, the Organization had \$6,549 and \$0, respectively, of temporarily restricted net assets.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 31, 2016, the date the financial statements were available for issuance.

SUPPLEMENTAL INFORMATION

THE STARKE COUNTY YOUTH CLUB, INC.

SCHEDULE OF GOVERNMENTAL FUNDING  
FOR THE YEAR ENDED MAY 31, 2016

<u>Governmental Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant ID</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>
<b>FEDERAL AWARDS</b>				
United States Department of Education				
Pass-Through Program from:				
Indiana Department of Education				
21 <sup>st</sup> Century Community Learning Center				
6/1/15 to 5/31/16	84.287	A58-6-16DL-0196	\$227,100	\$227,100
6/1/15 to 5/31/16	84.287	A58-6-16DL-3047	\$210,001	<u>210,001</u>
TOTAL FEDERAL AWARDS				<u>\$437,101</u>

## EXIT CONFERENCE

An exit conference was held with representatives of The Starke County Youth Club, Inc. on August 16, 2016 at the office of The Starke County Youth Club, Inc. in Knox, Indiana.

### THE STARKE COUNTY YOUTH CLUB, INC.

IRENE SZAKONYI

EXECUTIVE DIRECTOR

BOARD OF DIRECTORS

### AUDIT ORGANIZATION REPRESENTATIVES

GREG WARD

PRINCIPAL