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April 4, 2018

Board of Directors  
Johnson County Association for Retarded Citizens, Inc.  
3500 North Morton  
P.O. Box 216  
Franklin, IN 46131

We have reviewed the report prepared by Johnson County Association for Retarded Citizens, Inc. and opined upon by Mid-America Audit & Tax, Inc., Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Johnson County Association for Retarded Citizens, Inc. as of December 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, Mid-America Audit & Tax, Inc. 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**JOHNSON COUNTY ASSOCIATION**  
**FOR RETARDED CITIZENS, INC.**

Financial Statements

With Additional Information

For the Years Ended December 31, 2016 and 2015

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

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# Mid-America Audit & Tax, Inc.

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## **Independent Auditors' Report**

To the Board of Directors  
Johnson County Association for Retarded Citizens, Inc.  
Franklin, Indiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Johnson County Association For Retarded Citizens, Inc. ("JCARC") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses 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.

### **Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 JCARC'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 JCARC'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.

## **Auditors' Responsibility (Continued)**

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 Johnson County Association For Retarded Citizens, Inc. as of December 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 Matters**

#### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2017, on our consideration of JCARC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 JCARC's internal control over financial reporting and compliance.

*Mid-America Audit & Tax, Inc.*

Mid-America Audit & Tax, Inc.  
Indianapolis, Indiana  
September 28, 2017

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

Statements of Financial Position  
As of December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 38,562	\$ 10,213
Accounts receivable - grants and contracts, net	280,909	184,991
Other assets	15,696	-
Prepaid expenses	<u>3,180</u>	<u>6,360</u>
Total Current Assets	<u>338,347</u>	<u>201,564</u>
Property and Equipment:		
Land	50,000	50,000
ARRA stimulus vehicles and other, net of accumulated depreciation	149,297	198,963
Building, leasehold improvements, and equipment, net of accumulated depreciation	<u>252,252</u>	<u>311,652</u>
Total Property and Equipment, net	<u>451,549</u>	<u>560,615</u>
Total Assets	<u>\$ 789,896</u>	<u>\$ 762,179</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 138,587	\$ 95,875
Accrued wages and payroll taxes	54,194	45,455
Accrued vacation and annual leave	77,597	73,918
Other accrued expenses	25,698	27,281
Line of credit	261,480	224,400
Notes payable, current portion	9,565	4,665
Capital lease, current portion	<u>-</u>	<u>3,932</u>
Total Current Liabilities	<u>567,121</u>	<u>475,526</u>
Long-term Liabilities:		
Notes payable, less current portion	16,790	6,720
Capital lease, less current portion	<u>-</u>	<u>-</u>
Total Long-term Liabilities	<u>16,790</u>	<u>6,720</u>
Total Liabilities	<u>583,911</u>	<u>482,246</u>
Net Assets:		
Unrestricted	74,297	32,724
Temporarily restricted	131,688	247,209
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>205,985</u>	<u>279,933</u>
Total Liabilities and Net Assets	<u>\$ 789,896</u>	<u>\$ 762,179</u>

See notes to financial statements.

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Public Support:				
United Way	\$ 100,549	\$ -	\$ -	\$ 100,549
Contributions	8,532	-	-	8,532
Special events	<u>40,955</u>	<u>-</u>	<u>-</u>	<u>40,955</u>
Total Public Support	<u>150,036</u>	<u>-</u>	<u>-</u>	<u>150,036</u>
Revenue:				
Government agencies	1,990,626	-	-	1,990,626
Other grants	42,000	-	-	42,000
Fees – client activity	9,024	-	-	9,024
Fees – transportation	74,397	-	-	74,397
Work crew income	46,969	-	-	46,969
Interest income	113	-	-	113
Membership dues	331	-	-	331
Miscellaneous	9,738	-	-	9,738
Lease income and management fees	1,250	-	-	1,250
Contract services and 3 <sup>rd</sup> party pay	44,396	-	-	44,396
Vehicle advertisement	37,823	-	-	37,823
Gain (loss) on sale of assets	<u>( 13,569)</u>	<u>-</u>	<u>-</u>	<u>( 13,569)</u>
Total Revenue	<u>2,243,098</u>	<u>-</u>	<u>-</u>	<u>2,243,098</u>
Net assets released from restrictions	<u>115,521</u>	<u>( 115,521)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>2,508,655</u>	<u>( 115,521)</u>	<u>-</u>	<u>2,393,134</u>
Expenses:				
Program services				
Community based	531,940	-	-	531,940
Facility based	141,018	-	-	141,018
School transition	18,203	-	-	18,203
Transportation	<u>1,507,821</u>	<u>-</u>	<u>-</u>	<u>1,507,821</u>
Total program services	<u>2,198,982</u>	<u>-</u>	<u>-</u>	<u>2,198,982</u>
Supporting services				
General and administrative	260,218	-	-	260,218
Fund raising	<u>7,882</u>	<u>-</u>	<u>-</u>	<u>7,882</u>
Total supporting services	<u>268,100</u>	<u>-</u>	<u>-</u>	<u>268,100</u>
Total Expenses	<u>2,467,082</u>	<u>-</u>	<u>-</u>	<u>2,467,082</u>
Change in Net Assets	41,573	( 115,521)	-	( 73,948)
Net Assets, beginning of year	<u>32,724</u>	<u>247,209</u>	<u>-</u>	<u>279,933</u>
Net Assets, end of year	<u>\$ 74,297</u>	<u>\$ 131,688</u>	<u>\$ -</u>	<u>\$ 205,985</u>

See notes to financial statements.

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
Public Support:				
United Way	\$ 98,962	\$ -	\$ -	\$ 98,962
Contributions	11,815	-	-	11,815
Special events	<u>41,059</u>	<u>-</u>	<u>-</u>	<u>41,059</u>
Total Public Support	<u>151,836</u>	<u>-</u>	<u>-</u>	<u>151,836</u>
Revenue:				
Government agencies	1,911,006	-	-	1,911,006
Other grants	42,579	-	-	42,579
ARRA Stimulus	-	176,690	-	176,690
Fees – client activity	12,206	-	-	12,206
Fees – transportation	81,914	-	-	81,914
Work crew income	75,206	-	-	75,206
Interest income	150	-	-	150
Membership dues	183	-	-	183
Miscellaneous	13,494	-	-	13,494
Lease income and management fees	1,250	-	-	1,250
Contract services and 3 <sup>rd</sup> party pay	38,200	-	-	38,200
Vehicle advertisement	34,173	-	-	34,173
Gain (loss) on sale of assets	<u>( 2,817)</u>	<u>-</u>	<u>-</u>	<u>( 2,817)</u>
Total Revenue	<u>2,207,544</u>	<u>176,690</u>	<u>-</u>	<u>2,384,234</u>
Net assets released from restrictions	<u>87,197</u>	<u>( 87,197)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>2,446,577</u>	<u>89,493</u>	<u>-</u>	<u>2,536,070</u>
Expenses:				
Program services				
Community based	504,311	-	-	504,311
Facility based	127,361	-	-	127,361
School transition	20,227	-	-	20,227
Transportation	<u>1,596,094</u>	<u>-</u>	<u>-</u>	<u>1,596,094</u>
Total program services	<u>2,247,993</u>	<u>-</u>	<u>-</u>	<u>2,247,993</u>
Supporting services				
General and administrative	295,170	-	-	295,170
Fund raising	<u>10,459</u>	<u>-</u>	<u>-</u>	<u>10,459</u>
Total supporting services	<u>305,629</u>	<u>-</u>	<u>-</u>	<u>305,629</u>
Total Expenses	<u>2,553,622</u>	<u>-</u>	<u>-</u>	<u>2,553,622</u>
Change in Net Assets	<u>( 107,045)</u>	89,493	-	<u>( 17,552)</u>
Net Assets, beginning of year	<u>139,769</u>	<u>157,716</u>	<u>-</u>	<u>297,485</u>
Net Assets, end of year	<u>\$ 32,724</u>	<u>\$ 247,209</u>	<u>\$ -</u>	<u>\$ 279,933</u>

See notes to financial statements.

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2016

	<u>Community Based</u>	<u>Facility Based</u>	<u>School Transition</u>	<u>Trans- portation</u>	<u>Total Program Expenses</u>	<u>General &amp; Administrative</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Personnel	\$485,981	\$127,595	\$15,333	\$ 817,279	\$1,446,188	\$ 161,041	\$ -	\$ 161,041	\$1,607,229
Occupancy	1,598	4,613	331	8,808	15,350	12,842	-	12,842	28,192
Office	2,931	829	61	53,896	57,717	28,317	-	28,317	86,034
Insurance	-	-	-	1,431	1,431	16,028	-	16,028	17,459
Travel and staff development	18,571	291	355	3,776	22,993	1,001	-	1,001	23,994
Professional fees and memberships	2,481	594	454	12,049	15,578	21,506	-	21,506	37,084
Client services	5	1,159	594	-	1,758	-	-	-	1,758
Transportation	-	-	-	461,123	461,123	-	-	-	461,123
Sub-contracting	4,503	474	42	140,624	145,643	461	-	461	146,104
Public awareness	83	-	-	73	156	2,108	7,882	9,990	10,146
Interest	-	-	-	594	594	16,914	-	16,914	17,508
Other	1,210	-	-	-	1,210	-	-	-	1,210
Bad debts	<u>14,577</u>	<u>5,463</u>	<u>1,033</u>	<u>8,168</u>	<u>29,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,241</u>
<b>Total</b>	<b><u>\$531,940</u></b>	<b><u>\$141,018</u></b>	<b><u>\$18,203</u></b>	<b><u>\$1,507,821</u></b>	<b><u>\$2,198,982</u></b>	<b><u>\$ 260,218</u></b>	<b><u>\$ 7,882</u></b>	<b><u>\$ 268,100</u></b>	<b><u>\$2,467,082</u></b>

See notes to financial statements.

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2015

	<u>Community Based</u>	<u>Facility Based</u>	<u>School Transition</u>	<u>Trans- portation</u>	<u>Total Program Expenses</u>	<u>General &amp; Administrative</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Personnel	\$466,069	\$111,630	\$15,380	\$ 827,755	\$1,420,834	\$ 190,367	\$ -	\$ 190,367	\$1,611,201
Occupancy	1,551	5,327	334	9,056	16,268	11,827	-	11,827	28,095
Office	2,950	680	152	51,546	55,328	31,491	-	31,491	86,819
Insurance	-	-	-	1,431	1,431	17,056	-	17,056	18,487
Travel and staff development	13,443	335	394	6,045	20,217	1,186	-	1,186	21,403
Professional fees and memberships	3,269	630	454	13,222	17,575	24,567	-	24,567	42,142
Income taxes	-	-	-	-	-	1,509	-	1,509	1,509
Client services	371	3,548	1,003	-	4,922	-	-	-	4,922
Transportation	-	-	-	539,049	539,049	-	-	-	539,049
Sub-contracting	3,314	420	-	143,423	147,157	615	-	615	147,772
Public awareness	120	-	-	161	281	1,842	10,459	12,301	12,582
Interest	-	-	-	473	473	14,710	-	14,710	15,183
Other	1,490	-	-	-	1,490	-	-	-	1,490
Bad debts	<u>11,734</u>	<u>4,791</u>	<u>2,510</u>	<u>3,933</u>	<u>22,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,968</u>
<b>Total</b>	<b><u>\$504,311</u></b>	<b><u>\$127,361</u></b>	<b><u>\$20,227</u></b>	<b><u>\$1,596,094</u></b>	<b><u>\$2,247,993</u></b>	<b><u>\$ 295,170</u></b>	<b><u>\$ 10,459</u></b>	<b><u>\$ 305,629</u></b>	<b><u>\$2,553,622</u></b>

See notes to financial statements.

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$( 73,948)	\$( 17,552)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	124,601	207,606
(Gain) loss on sale of assets	13,569	2,817
(Increase) decrease in:		
Accounts receivable - grants and contracts	( 95,918)	62,805
Other assets	( 15,696)	-
Prepaid expenses	3,180	( 6,360)
Increase (decrease) in:		
Accounts payable	42,712	( 3,705)
Accrued wages and payroll taxes	8,739	4,151
Accrued vacation and annual leave	3,679	7,457
Other accrued expenses	<u>( 1,583)</u>	<u>( 8,793)</u>
Net cash provided by (used in) operating activities	<u>9,335</u>	<u>248,426</u>
Cash flows from investing activities:		
Proceeds from sale of assets	5,901	3,778
Purchase of equipment	<u>( 35,005)</u>	<u>( 302,859)</u>
Net cash provided by (used in) investing activities	<u>( 29,104)</u>	<u>( 299,081)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	( 8,962)	( 6,420)
Proceeds from long-term debt	20,000	14,000
Proceeds from line of credit	1,007,300	450,393
Repayment on line of credit	<u>( 970,220)</u>	<u>( 460,693)</u>
Net cash provided by (used in) financing activities	<u>48,118</u>	<u>( 2,720)</u>
Net increase (decrease) in cash and cash equivalents	28,349	( 53,375)
Cash and cash equivalents, beginning of year	<u>10,213</u>	<u>63,588</u>
Cash and cash equivalents, end of year	<u>\$ 38,562</u>	<u>\$ 10,213</u>
Supplementary disclosures of cash flow information:		
Cash paid for interest	<u>\$ 17,508</u>	<u>\$ 15,183</u>

See notes to financial statements.

# **JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

Notes to Financial Statements  
Years Ended December 31, 2016 and 2015

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Nature of the Organization**

Johnson County Association For Retarded Citizens, Inc. (the "Organization") was incorporated as an Indiana Not-for-Profit Corporation and was organized exclusively to provide charitable and educational programs to persons living in Johnson County and surrounding counties. The Organization is committed to a future without limits: build community – create opportunity – expect success – change lives. In carrying out its mission, the Organization relies on government funding. The Indiana Division of Disability, Aging, and Rehabilitative Services and The Indiana Department of Transportation (INDOT) provide a significant amount of the total support and revenue to the Organization.

The Organization also assists two contiguous counties (Brown and Shelby counties) in their efforts to provide transportation service to its county residents. These services involve consultation and oversight for certain activities. This arrangement is considered purchased services by INDOT.

### **Basis of Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in the codification ASC 958 Not-For-Profit Financial Statement Reporting. Under ASC 958, 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.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Restricted and Unrestricted Revenue and Support**

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

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

### **Allowance for Uncollectible Accounts**

The Organization uses the allowance method for recognition of bad debt expense. The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectibility of various types of receivables including billing and payment timetables and historical loss experience for each funding source. No interest is charged on receivables. Receivables are continually reviewed and are written-off when all reasonable possibility of collection or rebilling (which varies by source) has been exhausted. Management has determined that an allowance of \$20,000 relating to accounts receivable is necessary for the years ended December 31, 2016 and 2015.

### **Revenue Recognition and Concentration**

The Organization contracts with various State and Federal agencies to provide a wide variety of rehabilitation services to persons with developmental disabilities. The Organization vouchers the governmental agencies monthly and quarterly, based on current activity and the original amount of the grant. Revenue is recognized as services are performed. However, final determination may vary because of regulations pertaining to disbursements. Differences in estimated amounts and actual settlements are reflected as charges or credits upon settlement or payment.

Non-governmental contract revenue is recorded at established charges when the service is rendered.

### **Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all liquid investments with original maturity dates of three months or less to be cash equivalents.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the benefiting programs and supporting services. The Statement of Functional Expenses represents direct costs for each activity. Indirect costs are allocated to each program area according to an allocation formula previously approved by the major funding entities (Indiana Department of Transportation and Indiana Family and Social Services Administration) to determine total cost of each service.

### **Tax Exemption**

Johnson County Association For Retarded Citizens, Inc. has been ruled exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation by the Internal Revenue Service.

## **NOTE 2 – PROPERTY AND EQUIPMENT ACCOUNTING METHODS**

Property and equipment are stated at cost, or for donations, at fair market value at the date of donation, and include expenditures for new additions and repairs, which substantially increase the useful lives of existing property and equipment. Governmental units funding property and equipment through grants retain a security interest over various periods. Property and equipment received through ARRA Stimulus grants are titled under the grantee.

Depreciation is computed using the straight-line method over estimated useful lives of three to forty years. The Organization's policy dictates that expenditures relating to property, equipment and vehicles exceeding \$500 (not including labor) are depreciated as fixed assets, including repairs which increase the value or extend the useful life of the asset.

Donations of property and equipment are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time, with the exception of Section 5310 Grant vehicles which are placed into service immediately and reclassified when the useful life criteria are met and INDOT releases the title.

The land at 3500 North Morton, Franklin, IN on which the Organization's current building site was purchased with grant funds (plus local match). The Organization has in the past been advised by the service division granting those funds (Indiana Vocational Rehabilitation Services) that use of the land is restricted to purposes compatible with the intent of the grant and if sold, a proportionate amount of the proceeds must be given back. The restrictions within the grant were fulfilled in a prior year.

### **NOTE 3 – CONCENTRATIONS OF CREDIT RISKS**

The Organization is located in Franklin, Indiana. The Organization provides services to individuals and companies which are billed in arrears at least monthly. Public transit funding is billed on a quarterly basis. The majority of individual services are provided under grant contracts or provider agreements with state agencies. Companies are provided credit in the normal course of business without collateral.

The Organization maintains deposits in federally insured financial institutions. At times these deposits exceed federally insured limits; however, management monitors the soundness of these financial institutions and feels the Organization's risk is negligible.

### **NOTE 4 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Transportation Program	\$ 131,688	\$ 247,209
Total	<u>\$ 131,688</u>	<u>\$ 247,209</u>

Net Assets released from restriction amounted to \$115,521 and \$87,197 for the years ending December 31, 2016 and 2015, respectively and related to the fulfillment of transportation grant restrictions.

### **NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Buildings:		
Gateway center	\$ 828,851	\$ 828,851
Equipment:		
Maintenance	1,868	1,868
Office	126,709	126,709
Conversion grant	10,782	10,782
Transportation	776,187	994,284
Work center	16,392	16,392
Supported employment	17,924	17,924
Work crew	7,181	7,181
School transition	17,272	17,272
Targeted case management	2,601	2,601
ARRA stimulus vehicles and other	<u>1,218,719</u>	<u>1,270,751</u>
Total cost	3,024,486	3,294,615
Less accumulated depreciation	<u>( 2,622,937)</u>	<u>( 2,784,000)</u>
Net book value	<u>\$ 401,549</u>	<u>\$ 510,615</u>

Depreciation expense was \$124,601 and \$207,606 for the years ended December 31, 2016 and 2015, respectively.

## **NOTE 6 – ADVERTISING & COMMUNITY AWARENESS**

The Organization uses advertising and community awareness activities to promote its programs and mission among the audiences it serves and the community. The production costs of advertising are expensed as incurred. During the years ended December 31, 2016 and 2015, direct advertising and community awareness costs totaled \$2,179 and \$1,931, respectively.

## **NOTE 7 – LINE OF CREDIT**

On November 10, 2016 and November 24, 2015, the Organization renewed its banking line of credit arrangement for working capital (negotiated on May 2, 2012). The renewed arrangement provided for short-term borrowings of amounts not to exceed \$550,000. Borrowings under the line of credit arrangements are secured by all business assets. The interest rate on this borrowing is the Wall Street Journal prime plus 1.50 percent (5.75% and 4.75% at December 31, 2016 and 2015, respectively). Outstanding borrowings under this line of credit at December 31, 2016 and 2015 were \$261,480 and \$224,400, respectively.

## **NOTE 8 – NOTES PAYABLE**

Notes payable consist of the following:

	<u>2016</u>	<u>2015</u>
Term note payable, due May 26, 2018, interest rate 5%, monthly payment, unsecured	\$ 3,360	\$ 5,692
Term note payable, due May 26, 2018, interest rate 5%, monthly payment, unsecured	3,360	5,693
Term note payable, due November 15, 2020, interest rate 5%, monthly payment, unsecured	<u>19,635</u>	<u>-</u>
	26,355	11,385
Less current maturities	<u>( 9,565)</u>	<u>( 4,655)</u>
	<u>\$ 16,790</u>	<u>\$ 6,720</u>

Maturities of the notes payable are as follows:

Year ending December 31, 2017	\$ 9,565
2018	6,710
2019	5,151
2020	4,929
Thereafter	<u>-</u>
	<u>\$ 26,355</u>

**NOTE 9 – CAPITAL LEASE**

In 2012, the Organization leased a copier under a capital lease. The economic substance of the lease was that the Organization could purchase the copier for \$1 at the end of the lease. Accordingly, this copier was recorded as an asset and the financing as debt in the Organization's financial statements.

The following is an analysis of the lease included in equipment:

Equipment - Transportation	\$	9,220
Equipment - Administration		9,219
Less accumulated depreciation	(	<u>18,439</u> )
	\$	<u>          -</u>

There are no future minimum payments under the lease as the lease was paid off as of December 31, 2016.

Depreciation of the assets held under capital lease is included with depreciation expense.

**NOTE 10 – INCOME TAXES**

The Organization has adopted the provisions of FASB ASC 740-10 (FASB Interpretation No. 48), *Accounting for Income Taxes*, effective January 1, 2009. The Organization does not believe it has any unrecognized tax benefits or tax liabilities (tax positions) for either Federal or State taxing authorities that require disclosure in accordance with FASB ASC 740-10. The Organization continually monitors and evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, as determined relative to the Organization's operations. The Organization's management believes it is no longer subject to income tax examinations prior to 2013.

**NOTE 11 – AMERICAN RECOVERY AND REINVESTMENT ACT**

The American Recovery and Reinvestment Act of 2009 ("ARRA") requires federal awards recipients to separately report expenditures of ARRA funds. Under U.S. generally accepted accounting principles the Organization recorded grant revenue, awarded under the ARRA in 2015 amounting to \$176,690. This revenue was utilized, by the Organization, to purchase four transportation vehicles. These vehicles were recorded as Fixed Assets as of December 31, 2015. There were no ARRA funds received or expended during the year ended December 31, 2016. MAAT notes that the Organization disposed of a transportation vehicle and various equipment with a cost of \$52,032, that were purchased in prior years, utilizing ARRA funds. This vehicle and equipment were fully depreciated at the time of disposal.

#### **NOTE 12 – UNRELATED BUSINESS INCOME TAX**

In 2016 and 2015, the Organization sold advertising space on their transportation vehicles to outside vendors. The total gross revenues received from these transactions were \$37,823 and \$34,173 for the year ended December 31, 2016 and 2015, respectively. Federal and State Income Taxes paid, including penalties and interest, amounted to \$ -0- and \$1,509 for the year ending December 31, 2016 and 2015, respectively. The Organization does not believe this has any impact on its tax exempt status.

#### **NOTE 13 – PASS THROUGH TRANSACTIONS**

Included in the cash balance, as of December 31, 2016, is \$6,769 of funds that are the property of the United Way of Johnson County, under the No Place to Call Home Coordination Program. Under this program, JCARC is acting as a fiscal manager, whereby they receive funds from United Way and then, based on requests from other social service agencies, pay out the funds to families receiving financial assistance. JCARC has recorded a corresponding liability in Accounts Payable as of December 31, 2016. For their fiscal management, JCARC receives a 10% administrative fee of the total amount of dollars administered, deducted from the monthly check received. For the year ending December 31, 2016, the fees amounted to approximately \$933.

#### **NOTE 14 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through September 28, 2017, the date that the financial statements were available to be issued.

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Education</u></b>			
<i>Direct Programs</i>			
Passed Through Indiana Division of Disability, Aging and Rehabilitative Services Vocational Rehabilitation	84.126A		\$ <u>153,180</u>
Total U.S. Department of Education			<u>153,180</u>
<b><u>U.S. Department of Transportation</u></b>			
Pass-through programs from Indiana Department of Transportation Formula Grants for other than Urbanized Areas	20.509		<u>759,226</u>
Total U.S. Department of Transportation			<u>759,226</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>912,406</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2016**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Johnson County Association For Retarded Citizens, Inc., under programs of the federal government for the year ended December 31, 2016. 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 Johnson County Association For Retarded Citizens, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Johnson County Association For Retarded Citizens, Inc.

**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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Johnson County Association For Retarded Citizens, Inc. has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance, but used an Indiana Department of Transportation approved indirect cost rate.

See independent auditors' report.

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# Mid-America Audit & Tax, Inc.

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

To the Board of Directors  
Johnson County Association For Retarded Citizens, Inc.  
Indianapolis, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Johnson County Association For Retarded Citizens, Inc. ("JCARC") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016, 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 September 28, 2017.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered JCARC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JCARC's internal control. Accordingly, we do not express an opinion on the effectiveness of JCARC'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of JCARC's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether JCARC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Mid-America Audit & Tax, Inc.*

Mid-America Audit & Tax, Inc.  
Indianapolis, Indiana  
September 28, 2017

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# Mid-America Audit & Tax, Inc.

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

To the Board of Directors  
Johnson County Association For Retarded Citizens, Inc.  
Indianapolis, Indiana

### **Report on Compliance for Each Major Federal Program**

We have audited Johnson County Association For Retarded Citizens, Inc. ("JCARC") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of JCARC's major federal programs for the year ended December 31, 2016. JCARC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of JCARC's compliance.

## **Opinion on each Major Federal Program**

In our opinion, Johnson County Association For Retarded Citizens, Inc., 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 December 31, 2016.

## **Report on Internal Control over Compliance**

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

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

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

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

*Mid-America Audit & Tax, Inc.*

Mid-America Audit & Tax, Inc.  
Indianapolis, Indiana  
September 28, 2017

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2016**

**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	None reported
Significant deficiencies identified	None reported
Noncompliance material to financial statements noted:	None reported

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified	None reported
Significant deficiencies identified	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Programs tested as major programs were:	
Formula Grants for other than Urbanized Areas 20.509	
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee	Yes

**FINANCIAL STATEMENTS FINDINGS**

No matters were reported.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

**PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2016**

No findings or questioned costs for the prior period, ending December 31, 2015.

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# Mid-America Audit & Tax, Inc.

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## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors  
Johnson County Association For Retarded Citizens, Inc.  
Franklin, Indiana

We have audited the financial statements of Johnson County Association For Retarded Citizens, Inc., as of and for the year ended December 31, 2016, and have issued our report thereon dated September 28, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Government Financial Assistance on page 26 is presented for the 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.

*Mid-America Audit & Tax, Inc.*

Mid-America Audit & Tax, Inc.  
Indianapolis, Indiana  
September 28, 2017

**JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.**

**SCHEDULE OF GOVERNMENT FINANCIAL ASSISTANCE  
Years Ended December 31, 2016 and 2015**

2016

<u>Government Grantor/Program Title</u>	<u>Grant Period</u>	<u>Expenditures</u>
DDR – State Line Item	Continuous	\$ 9,793
DDARS – Medicaid Waiver	Continuous	481,000
Vocational Rehabilitation	07/01/08-12/31/16	194,639
DOT – Operating Grant	01/01/16-12/31/16	1,071,756
Johnson County Funding	01/01/16-12/31/16	180,000
Local Governments	01/01/16-12/31/16	<u>53,438</u>
Total		<u>\$ 1,990,626</u>

2015

<u>Government Grantor/Program Title</u>	<u>Grant Period</u>	<u>Expenditures</u>
DDR – State Line Item	Continuous	\$ 15,118
DDARS – Medicaid Waiver	Continuous	418,018
Vocational Rehabilitation	07/01/08-12/31/15	169,193
DOT – Operating Grant	01/01/15-12/31/15	1,024,266
DOT – ARRA Recovery Grant	01/01/14-06/30/15	176,690
DOT – Capital Grant	01/01/15-12/31/15	55,973
Johnson County Funding	01/01/15-12/31/15	175,000
Local Governments	01/01/15-12/31/15	<u>53,438</u>
Total		<u>\$ 2,087,696</u>

See independent auditors' report on additional information.