



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B49863

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

April 11, 2018

Board of Directors
Life Treatment Centers, Inc.
1402 S. Michigan St.
South Bend, IN 46613

We have reviewed the report prepared by Life Treatment Centers, Inc. and opined upon by Kruggel, Lawton & Company, CPA, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Life Treatment Centers, Inc. as of June 30, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Kruggel, Lawton & Company, CPA 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
Paul D. Joyce, CPA
State Examiner



ANNUAL REPORT
June 30, 2016

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

ANNUAL REPORT

June 30, 2016

C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 13
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	14
ADDITIONAL REPORTS AND INFORMATION	
Independent Auditor's Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	15 - 16
Independent Auditor's Report On Compliance For Each Major Program and On Internal Control Over Compliance Required By The Uniform Guidance	17 - 18
Schedule of Findings and Questioned Costs	19 - 20
Summary Schedule of Prior Audit Findings	21



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Life Treatment Centers, Inc.
South Bend, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Life Treatment Centers, Inc., which comprise the statement of financial position as of June 30, 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Life Treatment Centers, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year 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 our report dated January 18, 2017, on our consideration of Life Treatment Centers, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Life Treatment Centers, Inc.'s internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Life Treatment Centers, Inc. as of and for the year ended June 30, 2015, were audited by other auditors whose report dated January 8, 2016, expressed an unmodified opinion on those statements.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana
January 18, 2017

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	641,178	579,823
Grants receivable	138,333	242,765
Total Current Assets	779,511	822,588
PROPERTY AND EQUIPMENT		
Land	174,035	174,035
Buildings and building improvements	1,363,281	1,352,356
Furniture and equipment	169,213	158,650
Vehicles	60,496	53,496
Total	1,767,025	1,738,537
Accumulated depreciation	(1,179,166)	(1,128,575)
Net Property and Equipment	587,859	609,962
OTHER ASSETS		
Investments	465,482	211,376
TOTAL ASSETS	1,832,852	1,643,926
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of long-term debt	0	2,267
Current portion of capital lease	7,191	6,962
Accounts payable	7,154	12,526
Accrued salaries, wages and benefits	76,252	104,693
Other accrued expenses	12,655	10,000
Total Current Liabilities	103,252	136,448
LONG-TERM LIABILITIES		
Capital lease obligation	16,405	23,596
TOTAL LIABILITIES	119,657	160,044
NET ASSETS		
Unrestricted	1,713,195	1,473,517
Temporarily restricted	0	10,365
Total Net Assets	1,713,195	1,483,882
TOTAL LIABILITIES AND NET ASSETS	1,832,852	1,643,926

The Notes to Financial Statements are an integral part of this statement.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE						
Federal grant revenue	1,223,864	0	1,223,864	1,795,958	0	1,795,958
Federal contract revenue	540,886	0	540,886	0	0	0
State grant revenue	244,001	0	244,001	233,846	0	233,846
Other grants and contributions	29,681	0	29,681	44,746	0	44,746
Fundraising, net of expenses of \$21,964 and \$21,722, respectively	20,515	0	20,515	8,626	10,365	18,991
Program service fees	114,403	0	114,403	108,811	0	108,811
Net realized gain (loss)	(5,615)	0	(5,615)	4,326	0	4,326
Net unrealized gain (loss)	(4,548)	0	(4,548)	6,158	0	6,158
Interest income	9,277	0	9,277	580	0	580
Rent revenue	21,600	0	21,600	21,600	0	21,600
Miscellaneous revenue	10,812	0	10,812	13,168	0	13,168
Total	2,204,876	0	2,204,876	2,237,819	10,365	2,248,184
Net assets released from restrictions:						
Satisfaction of program restrictions	10,365	(10,365)	0	10,798	(10,798)	0
EXPENSES						
Residential and treatment services	1,557,367	0	1,557,367	1,535,335	0	1,535,335
Management and general	373,754	0	373,754	477,496	0	477,496
Fundraising	44,442	0	44,442	46,856	0	46,856
Total	1,975,563	0	1,975,563	2,059,687	0	2,059,687
INCREASE IN NET ASSETS	239,678	(10,365)	229,313	188,930	(433)	188,497
NET ASSETS AT BEGINNING OF YEAR	1,473,517	10,365	1,483,882	1,284,587	10,798	1,295,385
NET ASSETS AT END OF YEAR	1,713,195	0	1,713,195	1,473,517	10,365	1,483,882

The Notes to Financial Statements are an integral part of this statement.

LIFE TREATMENT CENTERS, INC.South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Residential and treatment services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	1,009,562	206,065	25,801	1,241,428
Payroll taxes	80,647	16,461	2,061	99,169
Benefits	140,432	28,664	3,589	172,685
Insurance	33,468	6,661	0	40,129
Repairs and maintenance	23,519	0	0	23,519
Utilities	57,541	0	0	57,541
Telephone	11,214	0	0	11,214
Auto	15,720	0	0	15,720
Office supplies	0	10,936	0	10,936
Dues and subscriptions	0	310	0	310
Professional fees	0	38,774	0	38,774
Postage	0	2,316	0	2,316
ASPIN administrative fees	0	15,000	0	15,000
Food	50,601	0	0	50,601
Supplies	12,660	0	0	12,660
Medical supplies	2,896	0	0	2,896
Medical consultants	13,064	0	0	13,064
Drug screening	3,436	0	0	3,436
Staff training	3,202	0	0	3,202
Interest	917	0	0	917
Security	23,614	0	0	23,614
Other costs	24,283	48,567	12,991	85,841
Total Expenses Before Depreciation	1,506,776	373,754	44,442	1,924,972
Depreciation	50,591	0	0	50,591
TOTAL FUNCTIONAL EXPENSES	1,557,367	373,754	44,442	1,975,563

The Notes to Financial Statements are an integral part of this statement.

LIFE TREATMENT CENTERS, INC.South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Services</u>	<u>Management</u>	<u>Fundraising</u>	
	<u>Residential</u>	<u>and general</u>		
	<u>and treatment</u>			
	<u>services</u>			
Salaries and wages	947,042	300,448	36,481	1,283,971
Payroll taxes	77,979	24,758	3,066	105,803
Benefits	155,811	49,431	6,002	211,244
Insurance	33,037	9,595	0	42,632
Repairs and maintenance	21,023	0	0	21,023
Utilities	59,638	0	0	59,638
Telephone	13,368	0	0	13,368
Auto	20,920	0	0	20,920
Office supplies	0	10,588	0	10,588
Dues and subscriptions	0	1,353	0	1,353
Professional fees	0	25,620	0	25,620
Postage	0	2,202	0	2,202
ASPIN administrative fees	0	15,000	0	15,000
Food	45,947	0	0	45,947
Supplies	13,232	0	0	13,232
Medical supplies	518	0	0	518
Medical consultants	12,696	0	0	12,696
Educational supplies	887	0	0	887
Drug screening	3,613	0	0	3,613
Staff training	3,037	0	0	3,037
Interest	1,108	0	0	1,108
Security	23,014	0	0	23,014
Grant expense to subrecipient	22,627	0	0	22,627
Other costs	32,828	38,501	1,307	72,636
Total Expenses Before Depreciation	1,488,325	477,496	46,856	2,012,677
Depreciation	47,010	0	0	47,010
TOTAL FUNCTIONAL EXPENSES	1,535,335	477,496	46,856	2,059,687

The Notes to Financial Statements are an integral part of this statement.

LIFE TREATMENT CENTERS, INC.South Bend, Indiana

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	229,313	188,497
Adjustments to reconcile net decrease in net assets to net cash from operating activities		
Depreciation	50,591	47,010
Net unrealized (gain) loss	4,548	(6,158)
Gain on sale of asset	0	(700)
Net realized (gain) loss	5,615	(4,326)
Adjustments for changes in operating assets and liabilities:		
Grants receivable	104,432	(81,080)
Accounts payable	(5,372)	2,509
Accrued salaries, wages and benefits	(28,441)	(6,281)
Other accrued expenses	2,655	10,000
Net Cash Flows from Operating Activities	<u>363,341</u>	<u>149,471</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	0	700
Proceeds from sale of investments	263,940	185,282
Purchase of property and equipment	(28,488)	(45,831)
Purchase of investments	(528,209)	(222,682)
Net Cash Flows from Investing Activities	<u>(292,757)</u>	<u>(82,531)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(2,267)	(3,564)
Principal payments received on notes receivable	0	36,667
Capital lease principal payments	(6,962)	(5,631)
Net Cash Flows from Financing Activities	<u>(9,229)</u>	<u>27,472</u>
INCREASE IN CASH AND CASH EQUIVALENTS	61,355	94,412
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>579,823</u>	<u>485,411</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>641,178</u>	<u>579,823</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	917	1,108

The Notes to Financial Statements are an integral part of this statement.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NATURE OF BUSINESS

Life Treatment Centers, Inc. (the "Organization") is a not for profit organization providing treatment and rehabilitation to persons affected by substance abuse who otherwise could not afford treatment. It accomplishes this objective by creating a total program for the substance abuser to enhance spiritual growth and provide intervention, education, treatment, and re-socialization. Programs include detoxification, residential treatment, transitional residential services, intensive outpatient treatment, gambling addiction, and drug and alcohol education. These programs provide services primarily in St. Joseph and Elkhart Counties in Indiana. Funding is provided primarily by government grants, fees for service, and contributions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets also include cumulative appreciation and reinvested gains on permanently restricted net assets, which have been restricted by donors but have not been appropriated by management of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

ASC 958-205 also provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. ASC 958-205 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

FAIR VALUE MEASUREMENTS

Management accounts for all assets and liabilities that are measured and reported on a fair value basis under the Fair Value Measurements and Disclosures Topic of FASB ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The framework for measuring fair value establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Financial Position, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the limits of the FDIC. It is common throughout the course of operations for the Organization's cash balance to exceed the insured limit. Funds received from the Department of Housing and Urban Development are held in a segregated account at the bank.

GRANTS

Support received under governmental grants is recorded based on expenses incurred or based on a fix rate. Grants receivable represents amounts due for expenses incurred or units serviced prior to year end, and are considered fully collectible by management.

INVESTMENTS

In accordance with the requirements of Accounting for Certain Investments Held by Not-for-Profit Organizations Topic of FASB ASC 958-320, the Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the Statement of Financial Position. Gains and losses are reflected as increases or decreases in the unrestricted class of net assets unless the donor or relevant laws place temporary or permanent restrictions on the gains and losses.

Donated securities are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as unrestricted support at their estimated fair value 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 support.

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.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$50,591 and \$47,010 for the years ended June 30, 2016 and 2015, respectively.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

A summary of the range of lives by asset category follows:

Buildings and building improvements	5 - 40 years
Furniture and equipment	3 - 15 years
Vehicles	5 years

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between program and supporting services based upon personnel time utilized for the related activities.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a).

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 requires an enterprise to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The entity recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2012 through 2014 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are expensed as incurred. Advertising costs, included in other costs on the Statement of Activities for the years ended June 30, 2016 and 2015 were \$12,991 and \$1,307, respectively.

RECLASSIFICATIONS

Certain items in the 2015 financial statements have been reclassified to conform with the 2016 presentation. The reclassifications have no effect on total assets, liabilities, net assets, changes in net assets, or net cash flows as previously reported.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2 - FAIR VALUE MEASUREMENTS

Three levels of the fair value hierarchy under ASC 820 are described below.

Basis of Fair Value Measurement

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of June 30, 2016:

Investments	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	100,283	0	0
Mutual funds	10,401	0	0
Exchange traded funds	236,134	0	0
Consumer goods	11,759	0	0
Healthcare	42,625	0	0
Services	24,102	0	0
Technology	40,178	0	0
Total	465,482	0	0

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of June 30, 2015:

Investments	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange traded funds	13,314	0	0
Consumer goods	31,804	0	0
Financial	40,225	0	0
Healthcare	42,962	0	0
Industrial goods	8,874	0	0
Mixed	22,838	0	0
Services	25,200	0	0
Technology	26,159	0	0
Total	211,376	0	0

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTSJune 30, 2016 and 2015

NOTE 3 - NOTE PAYABLE

The Organization had an unsecured, non-interest bearing, note payable to the City of South Bend that was paid in full in January 2016.

NOTE 4 - CAPITAL LEASE

The Organization leases a piece of equipment under a capital lease obligation that expires in August 2019. Obligations under the capital lease are recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at an interest rate of 3.25%. The lease obligation requires monthly payments of \$654. The capitalized cost, accumulated depreciation, and depreciation expense relating to the piece of equipment are as follows at June 30:

	<u>2016</u>	<u>2015</u>
Capital cost	36,189	36,189
Accumulated depreciation	13,270	6,032
Net book value	22,919	30,157
Depreciation expense	7,238	6,032

The future minimum lease payments under the capital lease and the net present value of future minimum lease payments are as follows at June 30:

2017	7,852
2018	7,852
2019	7,852
2020	1,309
Total future minimum lease payments	24,865
Amount representing interest	1,269
Net present value of future minimum lease payments	23,596
Less current portion	7,191
Amount due beyond current one year	16,405

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 consisted of cash to be spent on special events during the year ended June 30, 2016. This cash was spent during June 30, 2016. There are no temporarily restricted net assets as of June 30, 2016.

NOTE 6 - OPERATING LEASE

The Organization entered into a one year lease agreement with a tenant that expires in January 2017. The tenant owes rent on the first of each month in equal installments of \$1,800. Future minimum rentals on non-cancellable leases at June 30, 2016 are \$12,600.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

The Organization leases office equipment under noncancelable agreements. The Organization leased office equipment with a monthly payment of \$348 through March 31, 2016 at which time the lease expired. The Organization entered into a new lease for office equipment effective April 1, 2016 requiring monthly payments of \$334 through June 2019. Total lease expense for the office equipment for the year ended June 30, 2016 was \$4,133. The Organization also incurred various other related maintenance costs related to office equipment of approximately \$2,500 during the year ended June 30, 2016.

Future minimum payments under these agreements for the years ending June 30 are as follows:

2017	4,008
2018	4,008
2019	4,008
Total future minimum lease payments	12,024

NOTE 7 - RETIREMENT PLAN

The Organization contributes to a simplified employee pension plan for substantially all employees. The amount of the contribution to the plan is at the discretion of the Board of Directors of the Organization and is a percentage of employee salaries. The Organization contributed \$17,745 and \$20,896 for the years ended June 30, 2016 and 2015, respectively. The Organization also established an Employee Tax Deferred Savings Plan under Internal Revenue Code Section 403(b). Employees may choose to contribute to the plan at their discretion through pre tax payroll deductions.

NOTE 8 - CONTINGENCIES

Under the terms of federal, state, and local grants, periodic audits are required and certain costs may be challenged as to allow ability under the terms of the grants. Grant resources are expendable only for operating purposes specified by the grant. Such audits could lead to reimbursement of the granter agencies. However, management is of the opinion that the risk of material disallowance is remote. Therefore, no provision for contingencies has been reflected in the financial statements.

NOTE 9 - CONCENTRATIONS

The Organization receives a substantial amount of its support from federal, state, and local agencies. A significant reduction in the level of support, if this were to occur, may have a significant effect on the Organization's programs and activities.

NOTE 10 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 18, 2017, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Homeland Security				
Passed-through United Way of St. Joseph County, Inc.				
Emergency Food and Shelter National Board Program	97.024	277600-011 Phase 32	1,378	0
<i>Total Department of Homeland Security</i>			1,378	0
Department of Health and Human Services				
Passed-through Affiliated Service Providers of Indiana, Inc. (ASPIN)				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	49-15-HO-1274	888,287	0
Passed-through Intecare, Inc.				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	806	99,353	0
Total Block Grants for Prevention and Treatment of Substance Abuse			987,640	0
<i>Total Department of Health and Human Services</i>			987,640	0
Department of Housing and Urban Development				
Passed-through City of South Bend				
Emergency Solutions Grant Program	14.231	15-JE-03	23,846	0
Total Emergency Solutions Grant Program			23,846	0
Supportive Housing Program				
Supportive Housing Program	14.235	IN0145J5H001402	154,200	0
Supportive Housing Program	14.235	IN0008L5H001407	44,053	0
Supportive Housing Program	14.235	IN0415L5H001301	12,747	0
Total Supportive Housing Program			211,000	0
<i>Total Department of Housing and Urban Development</i>			234,846	0
Total Expenditures of Federal Awards			1,223,864	0

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Life Treatment Centers, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 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 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the costs principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allocable or are limited as to reimbursement.
2. The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ADDITIONAL REQUIRED REPORTS AND INFORMATION



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

To the Board of Directors
Life Treatment Centers, Inc.
South Bend, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Life Treatment Centers, Inc. which comprise the statement of financial position as of June 30, 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 January 18, 2017 .

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruggel, Lawton & Company". The signature is written in a cursive, flowing style.

Certified Public Accountants

Elkhart, Indiana
January 18, 2017



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

To the Board of Directors
Life Treatment Centers, Inc.
South Bend, Indiana

Report on Compliance for Each Major Federal Program

We have audited Life Treatment Centers, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016. The Organization's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 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 been a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 June 30, 2016.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization'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 Organization'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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana
January 18, 2017

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance of major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Identification of major programs:	
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings related to federal awards which are required to be reported in accordance with *Government Auditing Standards*.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2016

There were no prior year audit findings.