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May 4, 2018

Board of Directors  
South Lake County Community Services, Inc.  
1450 E Joliet Street  
Crown Point, IN 46307

We have reviewed the report prepared by South Lake County Community Services, Inc. and opined upon by Swartz, Retson & Co., PC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of South Lake County Community Services, Inc. as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

  
Paul D. Joyce, CPA  
State Examiner

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**SOUTH LAKE COUNTY  
COMMUNITY SERVICES, INC.**

DECEMBER 31, 2015 AND 2014

SWARTZ, RETSON & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
235 E. 86TH AVENUE  
MERRILLVILLE, INDIANA 46410

SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT.....	3
STATEMENTS OF FINANCIAL POSITION.....	4
STATEMENTS OF ACTIVITIES.....	5
STATEMENTS OF FUNCTIONAL EXPENSES.....	6-7
STATEMENTS OF CASH FLOWS.....	8
NOTES TO THE FINANCIAL STATEMENTS.....	9-13



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
South Lake County Community Services, Inc.  
1450 E. Joliet Street  
Crown Point, IN 46307

We have audited the accompanying financial statements of South Lake County Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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.

### **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. 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 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 consolidated 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 South Lake County Community Services, Inc. as of December 31, 2015 and 2014, 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.

Merrillville, IN  
November 10, 2016

SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 1,026	\$ 52,075
Accounts Receivable	157,961	165,543
Receivable from PPPOA	24,800	24,800
Prepaid Expenses	14,769	17,204
Land, Buildings and Equipment - Net	<u>1,531,714</u>	<u>1,588,660</u>
TOTAL ASSETS	<u>\$1,730,270</u>	<u>\$1,848,282</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Notes Payable	\$ 950,688	\$1,016,109
Accounts Payable	29,210	49,167
Accrued Taxes and Expenses	130,239	135,433
Deferred Revenue	638	4,272
Security Deposits	<u>1,420</u>	<u>1,050</u>
Total Liabilities	1,112,195	1,206,031
NET ASSETS		
Unrestricted	<u>618,075</u>	<u>642,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,730,270</u>	<u>\$1,848,282</u>

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

**SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.**

STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	2015 Total <u>Unrestricted</u>	2014 Total <u>Unrestricted</u>
REVENUES, GAINS AND OTHER SUPPORT		
Advertising	\$ 11,332	\$ 1,750
Donations	15,946	15,118
Fare Box Income	89,694	89,279
Fundraising Events	6,159	7,805
Federal Transportation	342,516	400,959
State Transportation	158,775	155,028
In-Kind Contributions	65,400	65,400
Project Income	15,629	15,148
Local Cash Match	166,474	139,395
Interest Income	43	116
Rental Income	54,302	54,183
County and Township Income	153,986	144,118
Miscellaneous Income	<u>8,052</u>	<u>6,306</u>
Total Revenues, Gains and Other Support	<u>1,088,308</u>	<u>1,094,605</u>
EXPENSES AND LOSSES		
Program Services	978,497	1,053,237
Management and General	131,736	104,124
Fundraising	<u>2,253</u>	<u>3,437</u>
Total Expenses and Losses	<u>1,112,486</u>	<u>1,160,798</u>
CHANGE IN NET ASSETS	(24,178)	(66,193)
NET ASSETS - Beginning of Year	<u>642,253</u>	<u>708,444</u>
NET ASSETS - End of Year	\$ <u>618,075</u>	\$ <u>642,251</u>

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

**SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.**

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

	<u>SUPPORTING SERVICES</u>			<u>Total Expenses</u>
	<u>Program Expenses</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	
<b>SALARIES AND RELATED EXPENSES</b>				
Salaries	\$420,706	\$ 25,888	\$ 00	\$ 446,594
Payroll Taxes	35,570	2,189	00	37,759
Payroll Taxes and Benefits	<u>112,455</u>	<u>6,920</u>	<u>00</u>	<u>119,375</u>
Total Salaries and Related Expenses	568,731	34,997	00	603,728
Bad Debt Expense	00	6,171	00	6,171
Bank Fees	00	1,279	00	1,279
Donations	00	400	00	400
Dues	454	00	00	454
Equipment Rental Expense	3,396	295	00	3,691
Fundraising	00	00	2,253	2,253
Insurance	64,427	00	00	64,427
Interest Expense	41,742	3,630	00	45,372
Loss on Disposal of Asset	00	1,918	00	1,918
Miscellaneous Expense	5,576	485	00	6,061
Office Equipment and Supplies	3,509	305	00	3,814
Postage	1,606	140	00	1,746
Printing Expense	307	27	00	334
Professional Fees	9,429	820	00	10,249
Program Expenses	2,868	00	00	2,868
Rent	00	66,747	00	66,747
Repairs and Maintenance	78,175	6,798	00	84,973
Tax Penalty	7,014	610	00	7,624
Telephone	15,054	1,309	00	16,363
Travel Expenses	1,537	00	00	1,537
Utilities	16,138	1,403	00	17,541
Vehicle Expense	<u>107,907</u>	<u>00</u>	<u>00</u>	<u>107,907</u>
Total Expenses before Depreciation	927,870	127,334	2,253	1,057,457
Depreciation	<u>50,627</u>	<u>4,402</u>	<u>00</u>	<u>55,029</u>
<b>TOTAL EXPENSES</b>	<u><b>\$978,497</b></u>	<u><b>\$131,736</b></u>	<u><b>\$ 2,253</b></u>	<u><b>\$1,112,486</b></u>

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

**SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>SUPPORTING SERVICES</u>			<u>Total Expenses</u>
	<u>Program Expenses</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	
<b>SALARIES AND RELATED EXPENSES</b>				
Salaries	\$ 440,793	\$ 3,819	\$ 00	\$ 444,612
Payroll Taxes	58,573	289	00	58,862
Payroll Taxes and Benefits	<u>106,471</u>	<u>2,981</u>	<u>00</u>	<u>109,452</u>
Total Salaries and Related Expenses	605,837	7,089	00	612,926
Bad Debt Expense	00	1,182	00	1,182
Bank Fees	00	1,086	00	1,086
Donations	00	6,320	00	6,320
Dues	1,305	00	00	1,305
Equipment Rental Expense	3,654	318	00	3,972
Fundraising	00	00	3,437	3,437
Insurance	45,746	00	00	45,746
Interest Expense	40,543	3,525	00	44,068
Loss on Disposal of Asset	00	360	00	360
Miscellaneous Expense	7,202	626	00	7,828
Office Equipment and Supplies	4,410	384	00	4,794
Postage	1,760	153	00	1,913
Printing Expense	529	46	00	575
Professional Fees	12,538	1,090	00	13,628
Program Expenses	2,204	00	00	2,204
Rent	00	65,400	00	65,400
Repairs and Maintenance	93,877	8,163	00	102,040
Tax Penalty	338	29	00	367
Telephone	20,606	1,792	00	22,398
Travel Expenses	2,583	00	00	2,583
Utilities	22,605	1,966	00	24,571
Vehicle Expense	<u>134,662</u>	<u>00</u>	<u>00</u>	<u>134,662</u>
Total Expenses before Depreciation	1,000,399	99,529	3,437	1,103,365
Depreciation	<u>52,838</u>	<u>4,595</u>	<u>00</u>	<u>57,433</u>
<b>TOTAL EXPENSES</b>	<u>\$1,053,237</u>	<u>\$104,124</u>	<u>\$ 3,437</u>	<u>\$1,160,798</u>

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

**SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.**

STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (24,178)	\$ (66,193)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	55,029	57,433
(Increase) Decrease in:		
Accounts Receivable	7,582	40,125
Receivable from PPPOA	00	4,500
Prepaid Assets	2,435	(5,946)
Increase (Decrease) in:		
Accounts Payable	(19,957)	(34,674)
Other Accrued Taxes and Expenses	(5,194)	(350)
Deferred Revenue	(3,634)	71
Increase (Decrease) in Security Deposits	<u>370</u>	<u>00</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>12,453</u>	<u>(5,034)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Loss on Disposal of Assets	1,918	360
 CASH FLOWS FROM FINANCING ACTIVITIES		
Additional Borrowings of Notes Payable	1,087	54,500
Reduction of Principal of Notes Payable	<u>(66,507)</u>	<u>(29,652)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(65,420)</u>	<u>24,848</u>
 NET INCREASE IN CASH	(51,049)	20,174
 CASH - Beginning of Year	<u>52,075</u>	<u>31,901</u>
 CASH - End of Year	\$ <u>1,026</u>	\$ <u>52,075</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
CASH PAID DURING THE YEAR FOR:		
Interest	\$ <u>45,372</u>	\$ <u>44,068</u>

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

# SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENT DECEMBER 31, 2015 AND 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

South Lake County Community Services, Inc. provides basic needs such as food, energy assistance and transportation services to the elderly and others in need in Southern Lake County, Indiana. The Organization serves congregate meals and other programs for the elderly. They also provide the information and referral services necessary to operate an energy assistance program. The Organization provides transportation services to the elderly and disabled. The Organization's major sources of operating revenue are client fees and federal, state, and local transportation revenue, and rental receipts.

#### Basis of Accounting

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

#### Financial Statement Presentation

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

#### Contributions

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

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

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

#### Cash

Cash, as presented on the accompanying statement of financial position and statements of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments and stated at cost, which approximates market value.

# SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENT

DECEMBER 31, 2015 AND 2014

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

#### Accounts Receivable

Accounts receivable result from claims to state and local governments for grant funds and fees for services rendered to users. The Organization records bad debts on the direct write-off method when, in management's opinion, an account becomes uncollectible. The direct write-off method is a departure from generally accepted accounting principles. An account is considered delinquent when it is over 90 days old, and is then given consideration for write-off. Bad debt expenses calculated using the direct write-off method does not differ materially from those calculated using generally accepted methods. The bad debt expense for the years ended December 31, 2015 and 2014 was \$6,171 and \$1,182, respectively.

#### Property and Equipment

Property and equipment and improvements are carried at cost, if purchased. The fair market value of donated assets is also capitalized. Depreciation expense is computed using straight-line methods over the estimated useful life of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. Depreciation expense was \$55,029 and \$57,433 for the years ended December 31, 2015 and 2014, respectively.

Property and equipment consist of the following at December 31, 2015 and 2014:

<u>2015</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 9,270	\$ 3,768	\$ 5,502
Furniture and Fixtures	1,828	1,828	00
Computer Software	12,045	12,045	00
Office Complex	1,227,176	393,665	833,511
Gymnasium	620,122	198,956	421,166
Vehicles	96,454	96,454	00
Garage	<u>287,719</u>	<u>16,184</u>	<u>271,535</u>
Total Property and Equipment - Net	<u>\$2,254,614</u>	<u>\$722,900</u>	<u>\$1,531,714</u>

<u>2014</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 32,597	\$ 23,599	\$ 8,998
Furniture and Fixtures	1,828	1,828	00
Computer Software	12,045	12,045	00
Office Complex	1,227,176	362,910	864,266
Gymnasium	620,121	183,454	436,667
Vehicles	96,454	96,454	00
Garage	<u>287,719</u>	<u>8,990</u>	<u>278,729</u>
Total Property and Equipment - Net	<u>\$2,277,940</u>	<u>\$689,280</u>	<u>\$1,588,660</u>

# SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENT

DECEMBER 31, 2015 AND 2014

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

#### Income Taxes

South Lake County Community Services, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana. The Internal Revenue Service has given the Organization a favorable determination under Section 501(c)(3) of the Internal Revenue Code, exempting the Organization from taxation.

#### Uncertainty in Income Taxes

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

#### Contributed (In-Kind) Services, Materials and Facilities

Certain contributed services, food and household supplies and facilities are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. The Organization receives contributed facility use at three local area elderly centers for the operation of its congregate meal program. The Organization records in-kind contributions and space cost expense based on square footage used. During the years ended December 31, 2015 and 2014, the Organization recorded \$65,400 and \$65,400 of contributed space costs, respectively.

### NOTE 2 - NOTES PAYABLE

The Organization has the following notes payable as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Centier Bank, line of credit, \$40,000 borrowing limit, interest at prime plus 1%, matures January 2015, secured by building with a carrying value of \$833,511	\$ 00	\$ 40,000
Centier Bank, line of credit, \$20,000 borrowing limit, interest at prime plus 1%, matures March 2015, secured by building with a carrying value of \$833,511	19,253	18,983
Centier Bank, interest at 6.75% monthly payments of \$1,050 including interest, final payment March 2019 secured by building with a carrying value of \$833,511	35,722	45,531

**SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.**

NOTES TO THE FINANCIAL STATEMENT

DECEMBER 31, 2015 AND 2014

NOTE 2 - NOTES PAYABLE CONTINUED

	<u>2015</u>	<u>2014</u>
United States Department of Agriculture, interest at 4.625%, monthly payments of \$4,809 including interest, final payment due June 2, 2043, secured by building with a carrying value of \$833,511	\$895,713	\$ 911,595
Total Notes Payable	950,688	1,016,109
Less: Current Portion	<u>46,646</u>	<u>85,427</u>
Total Long Term Notes Payable	<u>\$904,042</u>	<u>\$ 930,682</u>

A summary of maturities for the next five years is as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2015	\$ 46,646
December 31, 2016	\$ 28,729
December 31, 2017	\$ 30,130
December 31, 2018	\$ 20,858
Beyond 5 years	\$ 804,322

The Organization had interest expense for the years ending December 31, 2015 and 2014 of \$45,372 and 44,068, respectively.

NOTE 3 - MAINTENANCE CONTRACTS

The Organization entered into a one-year maintenance contract for vehicles during January 2009. The contract has since been operating on a month-to-month basis with the same contractual terms. The expense under the agreements for the years ended December 31, 2015 and 2014 was \$27,444 and \$69,336, respectively.

NOTE 4 - OPERATING LEASE

The Organization has one operating lease for a copier with a base amount of \$291 per month, plus overages and personal property taxes. The lease runs through April 2013. Prior to termination, the lease was renegotiated and a new copier was obtained on June 30, 2012. The new lease runs through June 2017. The new base amount per month is \$262 plus overages and personal property taxes. The total expense was \$3,462 and \$3,589 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments under the lease terms are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2016	\$ 3,144
December 31, 2017	\$ 1,572

**SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.**

NOTES TO THE FINANCIAL STATEMENT

DECEMBER 31, 2015 AND 2014

NOTE 5 - LEASE REVENUE

The Organization leases portions of its operating facilities to third parties. The majority of the rental revenues are from other not-for-profit organizations or governmental units. The facilities are leased under a variety of terms ranging from month-to-month leases to four-year term leases. Rent under term leases may be adjusted to cover increased common area costs and property tax expenses. The cost of rental property was \$1,227,176 and \$1,227,176, and accumulated depreciation was \$393,665 and \$362,910 as of December 31, 2015 and 2014, respectively. Future rents under the remaining lease terms are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2016	\$ 42,025
December 31, 2017	\$ 38,694

NOTE 6 - RELATED PARTY TRANSACTIONS

At December 31, 2015 and 2014, the Organization has the following related parties, either through common stock ownership and/or the ability to exercise significant control over management of the Organization:

Angelo Sabato

Joseph Sabato

Transactions between the Organization and the other related parties are as follows:

<u>Reflected as:</u>	<u>Related Party</u>	<u>Amount</u>
<u>Expenses</u>		
Repairs and Maintenance	Joseph Sabato	\$ 650
Professional Services	Angelo Sabato	\$ 8,418

Transactions that the Organization paid for on behalf of the PPPOA for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 24,800	\$ 29,300
Total Expenses	00	00
Reimbursements	<u>00</u>	<u>4,500</u>
Receivable from PPPOA	<u>\$ 24,800</u>	<u>\$ 24,800</u>

NOTE 7 - SUBSEQUENT EVENT

Subsequent events have been evaluated through November 10, 2016, the date the financial statements were available for issuance.