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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, 2016 to December 31, 2016. 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, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

Paul D. Joyce, CPA
State Examiner

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

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

DECEMBER 31, 2016 AND 2015

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

SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

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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, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Lake County Community Services, Inc. as of December 31, 2016 and 2015, 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
October 18, 2017

SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 27,409	\$ 1,026
Accounts Receivable	183,594	157,961
Receivable from PPPOA	24,800	24,800
Prepaid Expenses	85,514	14,769
Land, Buildings and Equipment - Net	<u>1,477,337</u>	<u>1,531,714</u>
TOTAL ASSETS	<u>\$1,798,654</u>	<u>\$1,730,270</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Notes Payable	\$ 920,765	\$ 950,688
Accounts Payable	19,426	29,210
Accrued Taxes and Expenses	144,933	130,239
Deferred Revenue	12,367	638
Security Deposits	<u>1,420</u>	<u>1,420</u>
Total Liabilities	1,098,911	1,112,195
NET ASSETS		
Unrestricted	<u>699,743</u>	<u>618,075</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,798,654</u>	<u>\$1,730,270</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, 2016 AND 2015

	2016 Total <u>Unrestricted</u>	2015 Total <u>Unrestricted</u>
REVENUES, GAINS AND OTHER SUPPORT		
Advertising	\$ 30,434	\$ 11,332
Donations	7,235	15,946
Fare Box Income	94,066	89,694
Fundraising Events	4,200	6,159
Federal Transportation	371,122	342,516
State Transportation	158,026	158,775
In-Kind Contributions	65,400	65,400
Project Income	11,093	15,629
Local Cash Match	275,315	166,474
Interest Income	20	43
Rental Income	48,266	54,302
County and Township Income	156,135	153,986
Miscellaneous Income	<u>2,626</u>	<u>8,052</u>
Total Revenues, Gains and Other Support	<u>1,223,938</u>	<u>1,088,308</u>
EXPENSES AND LOSSES		
Program Services	1,031,115	978,497
Management and General	108,283	131,736
Fundraising	<u>2,872</u>	<u>2,253</u>
Total Expenses and Losses	<u>1,142,270</u>	<u>1,112,486</u>
CHANGE IN NET ASSETS	81,668	(24,178)
NET ASSETS - Beginning of Year	<u>618,075</u>	<u>642,253</u>
NET ASSETS - End of Year	<u>\$ 699,743</u>	<u>\$ 618,075</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, 2016

	<u>SUPPORTING SERVICES</u>			<u>Total Expenses</u>
	<u>Program Expenses</u>	<u>Management & General</u>	<u>Fundraising</u>	
SALARIES AND RELATED EXPENSES				
Salaries	\$ 464,212	\$ 4,845	\$ 00	\$ 469,057
Payroll Taxes	34,789	363	00	35,152
Payroll Taxes and Benefits	<u>127,438</u>	<u>1,330</u>	<u>00</u>	<u>128,768</u>
Total Salaries and Related Expenses	626,439	6,538	00	632,977
Bad Debt Expense	00	6,931	00	6,931
Bank Fees	00	1,093	00	1,093
Donations	00	6,770	00	6,770
Dues	872	00	00	872
Equipment Rental Expense	3,029	263	00	3,292
Fundraising	00	00	2,872	2,872
Insurance	65,358	00	00	65,358
Interest Expense	40,750	3,543	00	44,293
Miscellaneous Expense	9,360	814	00	10,174
Office Equipment and Supplies	5,563	484	00	6,047
Postage	1,509	131	00	1,640
Printing Expense	441	38	00	479
Professional Fees	19,004	1,652	00	20,656
Program Expenses	1,806	00	00	1,806
Rent	00	65,400	00	65,400
Repairs and Maintenance	79,943	6,952	00	86,895
Telephone	17,233	1,498	00	18,731
Travel Expenses	994	00	00	994
Utilities	20,998	1,826	00	22,824
Vehicle Expense	<u>87,789</u>	<u>00</u>	<u>00</u>	<u>87,789</u>
Total Expenses before Depreciation	981,088	103,933	2,872	1,087,893
Depreciation	<u>50,027</u>	<u>4,350</u>	<u>00</u>	<u>54,377</u>
TOTAL EXPENSES	<u>\$1,031,115</u>	<u>\$108,283</u>	<u>\$ 2,872</u>	<u>\$1,142,270</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</u> <u>Expenses</u>
	<u>Program</u> <u>Expenses</u>	<u>Management</u> <u>& General</u>	<u>Fundraising</u>	
SALARIES AND RELATED EXPENSES				
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>
TOTAL EXPENSES	<u>\$978,497</u>	<u>\$131,736</u>	<u>\$ 2,253</u>	<u>\$1,112,486</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 81,668	\$ (24,178)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	54,377	55,029
(Increase) Decrease in:		
Accounts Receivable	(25,633)	7,582
Prepaid Assets	(70,745)	2,435
Increase (Decrease) in:		
Accounts Payable	(9,783)	(19,957)
Other Accrued Taxes and Expenses	14,694	(5,194)
Deferred Revenue	11,729	(3,634)
Increase in Security Deposits	<u>00</u>	<u>370</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>56,307</u>	<u>12,453</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Loss on Disposal of Assets	<u>00</u>	<u>1,918</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Additional Borrowings of Notes Payable	00	1,087
Reduction of Principal of Notes Payable	<u>(29,924)</u>	<u>(66,507)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(29,924)</u>	<u>(65,420)</u>
 NET INCREASE (DECREASE) IN CASH	26,383	(51,049)
 CASH - Beginning of Year	<u>1,026</u>	<u>52,075</u>
 CASH - End of Year	\$ <u>27,409</u>	\$ <u>1,026</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
CASH PAID DURING THE YEAR FOR:		
Interest	\$ <u>44,293</u>	\$ <u>45,372</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, 2016 AND 2015

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, 2016 AND 2015

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, 2016 and 2015 was \$6,931 and \$6,171, 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 \$54,377 and \$55,029 for the years ended December 31, 2016 and 2015, respectively.

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

<u>2016</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 9,270	\$ 4,695	\$ 4,575
Furniture and Fixtures	1,828	1,828	00
Computer Software	12,045	12,045	00
Office Complex	1,227,176	424,419	802,757
Gymnasium	620,121	214,459	405,662
Garage	<u>287,719</u>	<u>23,377</u>	<u>264,342</u>
Total Property and Equipment - Net	<u>\$2,158,159</u>	<u>\$680,823</u>	<u>\$1,477,336</u>

<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>

SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENT DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Centier Bank, line of credit, \$20,000 borrowing limit, interest at prime plus 1%, updates annually, secured by building with a carrying value of \$833,511	\$ 16,045	\$ 19,253
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	25,639	35,722

SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016 AND 2015

NOTE 2 - NOTES PAYABLE CONTINUED

	<u>2016</u>	<u>2015</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	\$879,081	\$895,713
Total Notes Payable	920,765	950,688
Less: Current Portion	<u>44,740</u>	<u>46,646</u>
Total Long Term Notes Payable	<u>\$876,025</u>	<u>\$904,042</u>

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

<u>Year Ending</u>	<u>Amount</u>
December 31, 2017	\$ 44,740
December 31, 2018	\$ 30,094
December 31, 2019	\$ 21,608
December 31, 2020	\$ 20,004
December 31, 2021	\$ 20,948
Beyond five years	\$ 783,371

The Organization had interest expense for the years ending December 31, 2016 and 2015 of \$44,293 and 45,372, respectively.

NOTE 3 - MAINTENANCE CONTRACTS

The Organization entered into a one-year maintenance contract for vehicles during January 2009. The contract continued operating on a month-to-month basis with the same contractual terms until it was terminated in 2016. The expense under the agreement for the years ended December 31, 2016 and 2015 was \$0 and \$27,444, respectively.

NOTE 4 - OPERATING LEASE

The Organization has one operating lease for a copier with a base amount of \$258 per month, plus overages and personal property taxes. The lease runs through December 2021. The total expense was \$3,292 and \$3,462 for the years ended December 31, 2016 and 2015, respectively.

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

<u>Year Ending</u>	<u>Amount</u>
December 31, 2017	\$ 3,096
December 31, 2018	\$ 3,096
December 31, 2019	\$ 3,096
December 31, 2020	\$ 3,096
December 31, 2021	\$ 2,967

SOUTH LAKE COUNTY COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016 AND 2015

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 \$424,419 and \$393,665 as of December 31, 2016 and 2015, respectively. Future rents under the remaining lease terms are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2017	\$ 45,894
December 31, 2018	\$ 472

NOTE 6 - RELATED PARTY TRANSACTIONS

At December 31, 2016, 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

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>		
Professional Services	Angelo Sabato	\$ 3,375

Transactions that the Organization paid for on behalf of the PPPOA for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beginning Balance	\$ 24,800	\$ 24,800
Total Expenses	00	00
Reimbursements	<u>00</u>	<u>00</u>
Receivable from PPPOA	<u>\$ 24,800</u>	<u>\$ 24,800</u>

NOTE 7 - SUBSEQUENT EVENT

Subsequent events have been evaluated through October 18, 2017, the date the financial statements were available for issuance.