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May 4, 2018

Board of Directors
Johnson County Association for Retarded Citizens, Inc.
3500 North Morton St.
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, 2015 to December 31, 2015. 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, 2015 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.


Paul D. Joyce, CPA
State Examiner

JOHNSON COUNTY ASSOCIATION
FOR RETARDED CITIZENS, INC.

Financial Statements

With Additional Information

For the Years Ended December 31, 2015 and 2014

JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.

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Mid-America Audit & Tax, Inc.

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, 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.

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, 2015 and 2014, 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*, and as applicable, the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Government Auditing Standards

The audit of the accompanying 2014 financial statements, for the year ending December 31, 2014, was conducted using the Government Auditing Standards under OMB Circular A-133. The Uniform Guidance, which superseded OMB Circular A-133, and was effective for audits of periods beginning on or after December 26, 2014, was utilized for the audit for the year ending December 31, 2015.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2016, 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, 2016

JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.

Statements of Financial Position
As of December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 10,213	\$ 63,588
Accounts receivable - grants and contracts, net	184,991	247,796
Prepaid expenses	<u>6,360</u>	<u>-</u>
Total Current Assets	<u>201,564</u>	<u>311,384</u>
Property and Equipment:		
Land	50,000	50,000
ARRA stimulus vehicles and other, net of accumulated depreciation	198,963	157,484
Building, leasehold improvements, and equipment, net of accumulated depreciation	<u>311,652</u>	<u>264,473</u>
Total Property and Equipment, net	<u>560,615</u>	<u>471,957</u>
Total Assets	<u>\$ 762,179</u>	<u>\$ 783,341</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 95,875	\$ 99,580
Accrued wages and payroll taxes	45,455	41,304
Accrued vacation and annual leave	73,918	66,461
Other accrued expenses	27,281	36,074
Line of credit	224,400	234,700
Notes payable, current portion	4,665	-
Capital lease, current portion	<u>3,932</u>	<u>4,001</u>
Total Current Liabilities	<u>475,526</u>	<u>482,120</u>
Long-term Liabilities:		
Notes payable, less current portion	6,720	-
Capital lease, less current portion	<u>-</u>	<u>3,736</u>
Total Long-term Liabilities	<u>6,720</u>	<u>3,736</u>
Total Liabilities	<u>482,246</u>	<u>485,856</u>
Net Assets:		
Unrestricted	32,724	139,769
Temporarily restricted	247,209	157,716
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>279,933</u>	<u>297,485</u>
Total Liabilities and Net Assets	<u>\$ 762,179</u>	<u>\$ 783,341</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 rd 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>2,249,502</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>	<u>89,493</u>	<u>-</u>	<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 Activities and Changes in Net Assets
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Public Support:				
United Way	\$ 98,346	\$ -	\$ -	\$ 98,346
Contributions	7,187	-	-	7,187
Special events	<u>46,510</u>	<u>-</u>	<u>-</u>	<u>46,510</u>
Total Public Support	<u>152,043</u>	<u>-</u>	<u>-</u>	<u>152,043</u>
Revenue:				
Government agencies	2,369,871	-	-	2,369,871
ARRA Stimulus	-	70,790	-	70,790
Fees – client activity	18,375	-	-	18,375
Fees – transportation	104,255	-	-	104,255
Work crew income	83,811	-	-	83,811
Interest income	43	-	-	43
Membership dues	90	-	-	90
Miscellaneous	12,250	-	-	12,250
Lease income and management fees	2,249	-	-	2,249
Contract services and 3 rd party pay	58,001	-	-	58,001
Vehicle advertisement	33,220	-	-	33,220
Insurance refund	<u>17,171</u>	<u>-</u>	<u>-</u>	<u>17,171</u>
Total Revenue	<u>2,699,336</u>	<u>70,790</u>	<u>-</u>	<u>2,770,126</u>
Net assets released from restrictions	<u>207,191</u>	<u>(207,191)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>3,058,570</u>	<u>(136,401)</u>	<u>-</u>	<u>2,922,169</u>
Expenses:				
Program services				
Community based	552,565	-	-	552,565
Facility based	114,945	-	-	114,945
School transition	26,991	-	-	26,991
Transportation	<u>2,050,282</u>	<u>-</u>	<u>-</u>	<u>2,050,282</u>
Total program services	<u>2,744,783</u>	<u>-</u>	<u>-</u>	<u>2,744,783</u>
Supporting services				
General and administrative	280,814	-	-	280,814
Fund raising	<u>8,740</u>	<u>-</u>	<u>-</u>	<u>8,740</u>
Total supporting services	<u>289,554</u>	<u>-</u>	<u>-</u>	<u>289,554</u>
Total Expenses	<u>3,034,337</u>	<u>-</u>	<u>-</u>	<u>3,034,337</u>
Change in Net Assets	24,233	<u>(136,401)</u>	-	<u>(112,168)</u>
Net Assets, beginning of year	<u>115,536</u>	<u>294,117</u>	<u>-</u>	<u>409,653</u>
Net Assets, end of year	<u>\$ 139,769</u>	<u>\$ 157,716</u>	<u>\$ -</u>	<u>\$ 297,485</u>

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 & 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>
Total	<u>\$504,311</u>	<u>\$127,361</u>	<u>\$20,227</u>	<u>\$1,596,094</u>	<u>\$2,247,993</u>	<u>\$ 295,170</u>	<u>\$ 10,459</u>	<u>\$ 305,629</u>	<u>\$2,553,622</u>

See notes to financial statements.

JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2014

	<u>Community Based</u>	<u>Facility Based</u>	<u>School Transition</u>	<u>Trans- portation</u>	<u>Total Program Expenses</u>	<u>General & Administrative</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Personnel	\$495,396	\$ 96,434	\$22,898	\$1,083,931	\$1,698,659	\$ 183,403	\$ -	\$ 183,403	\$1,882,062
Occupancy	1,905	5,634	366	10,615	18,520	14,345	-	14,345	32,865
Office	2,565	2,822	169	49,618	55,174	38,700	-	38,700	93,874
Insurance	-	-	-	2,022	2,022	13,419	-	13,419	15,441
Travel and staff development	11,334	577	583	5,967	18,461	1,930	-	1,930	20,391
Professional fees and memberships	13,021	1,610	521	15,410	30,562	12,369	-	12,369	42,931
Income taxes	-	-	-	1,039	1,039	4,702	-	4,702	5,741
Client services	255	4,668	1,421	-	6,344	-	-	-	6,344
Transportation	-	-	-	719,078	719,078	-	-	-	719,078
Sub-contracting	-	160	67	152,284	152,511	367	-	367	152,878
Public awareness	71	25	42	403	541	1,881	8,740	10,621	11,162
Interest	-	-	-	158	158	9,698	-	9,698	9,856
Other	7,084	-	-	-	7,084	-	-	-	7,084
Bad debts	<u>20,934</u>	<u>3,015</u>	<u>924</u>	<u>9,757</u>	<u>34,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,630</u>
Total	<u>\$552,565</u>	<u>\$114,945</u>	<u>\$26,991</u>	<u>\$2,050,282</u>	<u>\$2,744,783</u>	<u>\$ 280,814</u>	<u>\$ 8,740</u>	<u>\$ 289,554</u>	<u>\$3,034,337</u>

See notes to financial statements.

JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.

Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$(17,552)	\$(112,168)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	207,606	265,802
(Gain) loss on sale of assets	2,817	-
(Increase) decrease in:		
Accounts receivable - grants and contracts	62,805	61,806
Prepaid expenses	(6,360)	4,098
Increase (decrease) in:		
Accounts payable	(3,705)	(84,052)
Accrued wages and payroll taxes	4,151	(17,621)
Accrued vacation and annual leave	7,457	(727)
Other accrued expenses	(8,793)	4,285
Net cash provided by (used in) operating activities	<u>248,426</u>	<u>121,423</u>
Cash flows from investing activities:		
Proceeds from sale of assets	3,778	-
Purchase of equipment	(302,859)	(105,163)
Net cash provided by (used in) investing activities	<u>(299,081)</u>	<u>(105,163)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(6,420)	(3,684)
Proceeds from long-term debt	14,000	-
Proceeds from line of credit	450,393	727,000
Repayment on line of credit	(460,693)	(739,900)
Net cash provided by (used in) financing activities	<u>(2,720)</u>	<u>(16,584)</u>
Net increase (decrease) in cash and cash equivalents	(53,375)	(324)
Cash and cash equivalents, beginning of year	<u>63,588</u>	<u>63,912</u>
Cash and cash equivalents, end of year	<u>\$ 10,213</u>	<u>\$ 63,588</u>
Supplementary disclosures of cash flow information:		
Cash paid for interest	<u>\$ 15,183</u>	<u>\$ 9,856</u>

See notes to financial statements.

JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.

Notes to Financial Statements
Years Ended December 31, 2015 and 2014

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 of 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, 2015 and 2014.

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.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Transportation Program	\$ 247,209	\$ 157,716
Total	<u>\$ 247,209</u>	<u>\$ 157,716</u>

Net Assets released from restriction amounted to \$87,197 and \$207,191 for the years ending December 31, 2015 and 2014, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Buildings:		
Gateway center	\$ 828,851	\$ 828,851
Equipment:		
Maintenance	1,868	1,868
Office	126,709	125,141
Conversion grant	10,782	10,782
Transportation	994,284	923,971
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>1,270,751</u>	<u>1,094,061</u>
Total cost	3,294,615	3,046,044
Less accumulated depreciation	<u>(2,784,000)</u>	<u>(2,624,087)</u>
Net book value	<u>\$ 510,615</u>	<u>\$ 421,957</u>

Depreciation expense was \$207,606 and \$265,802 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, advertising and community awareness costs totaled \$1,931 and \$2,222, respectively.

NOTE 7 – LINE OF CREDIT

On November 24, 2015 and November 7, 2014, the Organization renewed its banking line of credit arrangement for working capital (negotiated on May 2, 2012). The renewed arrangements 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 (4.75% at December 31, 2015 and 2014). Outstanding borrowings under this line of credit at December 31, 2015 and 2014 were \$224,400 and \$234,700, respectively.

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2015</u>	<u>2014</u>
Term note payable, due May 26, 2018, interest rate 5%, monthly payment, unsecured	\$ 5,692	\$ -
Term note payable, due May 26, 2018, interest rate 5%, monthly payment, unsecured	<u>5,693</u>	<u>-</u>
	11,385	-
Less current maturities	<u>(4,665)</u>	<u>-</u>
	<u>\$ 6,720</u>	<u>\$ -</u>

Maturities of the notes payable are as follows:

Year ending December 31, 2016	\$ 4,665
2017	4,903
2018	1,817
2019	-
Thereafter	<u>-</u>
	<u>\$ 11,385</u>

NOTE 9 – CAPITAL LEASE

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>14,751</u>)
	\$	<u>3,688</u>

The following is a schedule by year of future minimum payments required under the leases together with their present value as of December 31, 2015:

Year ending December 31, 2016	\$	4,000
2017		-
2018		-
2019		-
Thereafter		<u>-</u>
Total minimum lease payments		4,000
Less amount representing interest		<u>(68)</u>
Present value of minimum lease payments	\$	<u>3,932</u>

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 2012.

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 and 2014 amounting to \$176,690 and \$70,790, respectively. This revenue was utilized, by the Organization, to purchase four and two transportation vehicles in 2015 and 2014, respectively. These vehicles were recorded as Fixed Assets as of December 31, 2015 and 2014.

NOTE 12 – UNRELATED BUSINESS INCOME TAX

In 2015 and 2014, the Organization sold advertising space on their transportation vehicles to outside vendors. The total gross revenues received from these transactions were \$34,173 and \$33,220 for the year ended December 31, 2015 and 2014, respectively. Federal and State Income Taxes paid, including penalties and interest, amounted to \$1,509 and \$5,782 for the year ending December 31, 2015 and 2014, respectively. The Organization does not believe this has any impact on its tax exempt status.

NOTE 13 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through September 28, 2016, 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, 2015

<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>
<u>U.S. Department of Education</u>			
<i>Direct Programs</i>			
Passed Through Indiana Division of Disability, Aging and Rehabilitative Services Vocational Rehabilitation	84.126A		\$ <u>133,154</u>
Total U.S. Department of Education			<u>133,154</u>
<u>U.S. Department of Transportation</u>			
Pass-through programs from Indiana Department of Transportation			
Formula Grants for other than Urbanized Areas	20.509		743,759
ARRA – Recovery Capital Grant	20.509		176,690
Capital Grants	20.513		<u>55,973</u>
Total U.S. Department of Transportation			<u>976,422</u>
Total Expenditures of Federal Awards			\$ <u>1,109,576</u>

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, 2015

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, 2015. 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, as applicable, either the cost 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 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.

Note 3 – U.S. DEPARTMENT OF TRANSPORTATION – FORMULA GRANTS, ARRA AND CAPITAL GRANTS – CFDA NUMBERS 20.509 and 20.513

The total expenditures for U.S. Department of Transportation – Formula Grants, ARRA and Capital Grants for \$976,422 included expenditures for A-133 (Part 3.1) compliance supplement. Part 3.1 of the Uniform Guidance was used to audit compliance requirements of \$976,422.

See independent auditors' report.

Mid-America Audit & Tax, Inc.

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, 2015, 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, 2016.

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.

In addition, we noted other administrative matters or issues that we have communicated to management in a separate letter dated September 28, 2016.

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.

A handwritten signature in cursive script that reads "Mid-America Audit & Tax, Inc." with a period at the end.

Mid-America Audit & Tax, Inc.
Indianapolis, Indiana
September 28, 2016

Mid-America Audit & Tax, Inc.

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 JCARC of Indiana, Inc.'s ("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, 2015. 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 of Indiana, 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, 2015.

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, 2016

JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

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	
ARRA-Recovery Capital 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, 2014**

No findings or questioned costs for the prior period.

Mid-America Audit & Tax, Inc.

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, 2015, and have issued our report thereon dated September 28, 2016, 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 27 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, 2016

JOHNSON COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.

**SCHEDULE OF GOVERNMENT FINANCIAL ASSISTANCE
Years Ended December 31, 2015 and 2014**

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	169,192
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>\$ 2,087,695</u>

2014

<u>Government Grantor/Program Title</u>	<u>Grant Period</u>	<u>Expenditures</u>
DDR – State Line Item	Continuous	\$ 18,873
DDARS – Medicaid Waiver	Continuous	382,619
Vocational Rehabilitation	07/01/08-06/30/15	184,859
DOT – Operating Grant	01/01/14-12/31/14	1,095,830
DOT – ARRA Recovery Grant	01/01/14-06/30/15	70,790
IPTC – New Freedom Operating Grant	01/01/14-12/31/14	139,682
IPTC – New Freedom Operating Grant	01/01/13-03/31/14	3,494
IPTC – Planning Grant	01/01/12-03/31/15	24,148
IPTC – Operating Grant	10/01/13-12/31/14	43,884
IPTC – Operating Grant	01/01/12-03/31/15	24,601
IPTC – Operating Grant	10/01/13-12/31/14	125,080
Johnson County Funding	01/01/14-12/31/14	175,000
Local Governments	01/01/14-12/31/14	<u>53,438</u>
Total		<u>\$ 2,342,298</u>

See independent auditors' report on additional information.