



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B50089

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

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


May 24, 2018

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

We have reviewed the report prepared by Life Treatment Centers, Inc. and opined upon by Kruggel, Lawton & Company, CPA, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Life Treatment Centers, Inc. as of June 30, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Kruggel, Lawton & Company, CPA prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner



**ANNUAL REPORT**  
**June 30, 2017**

---

# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

---

ANNUAL REPORT

June 30, 2017

## CONTENTS

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



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Life Treatment Centers, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life Treatment Centers, Inc. as of June 30, 2017 and 2016, 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of Life Treatment Centers, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Life Treatment Centers, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
October 31, 2017

---

**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

---

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	558,086	641,178
Grants receivable	160,302	138,333
Prepaid expense	14,979	0
<b>Total Current Assets</b>	<b>733,367</b>	<b>779,511</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	174,035	174,035
Buildings and building improvements	1,387,398	1,363,281
Furniture and equipment	185,739	169,213
Vehicles	54,146	60,496
<b>Total</b>	<b>1,801,318</b>	<b>1,767,025</b>
Accumulated depreciation	(1,221,344)	(1,179,166)
<b>Net Property and Equipment</b>	<b>579,974</b>	<b>587,859</b>
<b>OTHER ASSETS</b>		
Investments	784,058	465,482
<b>TOTAL ASSETS</b>	<b>2,097,399</b>	<b>1,832,852</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Current portion of capital lease	7,428	7,191
Accounts payable	14,813	7,154
Accrued salaries, wages and benefits	70,435	76,252
Other accrued expenses	1,000	12,655
<b>Total Current Liabilities</b>	<b>93,676</b>	<b>103,252</b>
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligation	8,977	16,405
<b>TOTAL LIABILITIES</b>	<b>102,653</b>	<b>119,657</b>
<b>NET ASSETS</b>		
Unrestricted	1,994,746	1,713,195
<b>Total Net Assets</b>	<b>1,994,746</b>	<b>1,713,195</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,097,399</b>	<b>1,832,852</b>

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

---

**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

---

**STATEMENTS OF ACTIVITIES**

For the Years Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Federal grant revenue	1,383,053	0	1,383,053	1,223,864	0	1,223,864
Federal contract revenue	671,098	0	671,098	540,886	0	540,886
State grant revenue	74,188	0	74,188	244,001	0	244,001
Other grants and contributions	46,703	0	46,703	29,681	0	29,681
Fundraising, net of expenses of \$20,297 and \$21,964, respectively	25,457	0	25,457	20,515	0	20,515
Program service fees	97,280	0	97,280	114,403	0	114,403
Net realized gain (loss)	22,166	0	22,166	(5,615)	0	(5,615)
Net unrealized gain (loss)	(5,509)	0	(5,509)	(4,548)	0	(4,548)
Interest income	13,258	0	13,258	9,277	0	9,277
Rent revenue	23,400	0	23,400	21,600	0	21,600
Miscellaneous revenue	12,153	0	12,153	10,812	0	10,812
<b>Total</b>	<b>2,363,247</b>	<b>0</b>	<b>2,363,247</b>	<b>2,204,876</b>	<b>0</b>	<b>2,204,876</b>
Net assets released from restrictions:						
Satisfaction of program restrictions	0	0	0	10,365	(10,365)	0
<b>EXPENSES</b>						
Residential and treatment services	1,603,132	0	1,603,132	1,557,367	0	1,557,367
Management and general	411,483	0	411,483	373,754	0	373,754
Fundraising	67,081	0	67,081	44,442	0	44,442
<b>Total</b>	<b>2,081,696</b>	<b>0</b>	<b>2,081,696</b>	<b>1,975,563</b>	<b>0</b>	<b>1,975,563</b>
<b>CHANGE IN NET ASSETS</b>	<b>281,551</b>	<b>0</b>	<b>281,551</b>	<b>239,678</b>	<b>(10,365)</b>	<b>229,313</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,713,195</b>	<b>0</b>	<b>1,713,195</b>	<b>1,473,517</b>	<b>10,365</b>	<b>1,483,882</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>1,994,746</b>	<b>0</b>	<b>1,994,746</b>	<b>1,713,195</b>	<b>0</b>	<b>1,713,195</b>

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

---

**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

---

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2017

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Services</u>	<u>Management</u>	<u>Fundraising</u>	
	<u>Residential</u>	<u>and general</u>		
	<u>and treatment</u>			
	<u>services</u>			
Salaries and wages	960,808	238,391	31,032	1,230,231
Payroll taxes	73,066	18,129	2,360	93,555
Benefits	177,320	43,996	5,727	227,043
Insurance	46,125	11,087	0	57,212
Repairs and maintenance	38,473	0	0	38,473
Utilities	64,287	0	0	64,287
Telephone	10,439	0	0	10,439
Auto	29,547	0	0	29,547
Office supplies	0	12,992	0	12,992
Dues and subscriptions	0	324	0	324
Professional fees	0	23,434	0	23,434
Postage	0	2,609	0	2,609
ASPIN administrative fees	0	15,000	0	15,000
Food	53,103	0	0	53,103
Supplies	12,286	0	0	12,286
Medical supplies	3,572	0	0	3,572
Medical consultants	15,228	0	0	15,228
Educational supplies	33	0	0	33
Drug screening	5,160	0	0	5,160
Staff training	1,735	0	0	1,735
Interest	660	0	0	660
Security	28,002	0	0	28,002
Charitable contributions	5,000	0	0	5,000
Advertising expense	0	0	27,962	27,962
Other costs	22,760	45,521	0	68,281
Total Expenses Before Depreciation	1,547,604	411,483	67,081	2,026,168
Depreciation	55,528	0	0	55,528
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>1,603,132</b>	<b>411,483</b>	<b>67,081</b>	<b>2,081,696</b>

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

---

**LIFE TREATMENT CENTERS, INC.**South Bend, Indiana

---

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Residential and treatment services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	1,009,562	206,065	25,801	1,241,428
Payroll taxes	80,647	16,461	2,061	99,169
Benefits	140,432	28,664	3,589	172,685
Insurance	33,468	6,661	0	40,129
Repairs and maintenance	39,623	0	0	39,623
Utilities	57,541	0	0	57,541
Telephone	11,214	0	0	11,214
Auto	15,720	0	0	15,720
Office supplies	0	10,936	0	10,936
Dues and subscriptions	0	310	0	310
Professional fees	0	38,774	0	38,774
Postage	0	2,316	0	2,316
ASPIN administrative fees	0	15,000	0	15,000
Food	50,601	0	0	50,601
Supplies	12,660	0	0	12,660
Medical supplies	2,896	0	0	2,896
Medical consultants	13,064	0	0	13,064
Drug screening	3,436	0	0	3,436
Staff training	3,202	0	0	3,202
Interest	917	0	0	917
Security	23,614	0	0	23,614
Advertising expense	0	0	12,991	12,991
Other costs	8,179	48,567	0	56,746
Total Expenses Before Depreciation	1,506,776	373,754	44,442	1,924,972
Depreciation	50,591	0	0	50,591
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>1,557,367</b>	<b>373,754</b>	<b>44,442</b>	<b>1,975,563</b>

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

---

**LIFE TREATMENT CENTERS, INC.**South Bend, Indiana

---

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	281,551	229,313
Adjustments to reconcile net change in net assets to net cash from operating activities		
Depreciation	55,528	50,591
Net unrealized loss	5,509	4,548
Gain on sale of asset	(200)	0
Net realized (gain) loss	(22,166)	5,615
Adjustments for changes in operating assets and liabilities:		
Grants receivable	(21,969)	104,432
Prepaid expense	(14,979)	0
Accounts payable	7,659	(5,372)
Accrued salaries, wages and benefits	(5,817)	(28,441)
Other accrued expenses	(11,655)	2,655
<b>Net Cash Flows from Operating Activities</b>	<b>273,461</b>	<b>363,341</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of asset	200	0
Proceeds from sale of investments	363,808	263,940
Purchase of property and equipment	(47,643)	(28,488)
Purchase of investments	(665,727)	(528,209)
<b>Net Cash Flows from Investing Activities</b>	<b>(349,362)</b>	<b>(292,757)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on note payable	0	(2,267)
Capital lease principal payments	(7,191)	(6,962)
<b>Net Cash Flows from Financing Activities</b>	<b>(7,191)</b>	<b>(9,229)</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(83,092)</b>	<b>61,355</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>641,178</b>	<b>579,823</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>558,086</b>	<b>641,178</b>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	660	917

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

---

# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

### NATURE OF BUSINESS

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

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PRESENTATION

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

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

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

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

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

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

---

# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

### FAIR VALUE MEASUREMENTS

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

### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### CASH AND CASH EQUIVALENTS

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

### GRANTS

Support received under governmental grants is recorded based on expenses incurred or based on a fix rate. Grants receivable represents amounts due for expenses incurred or units serviced prior to year end, and are considered fully collectible by management. The organization uses the allowance method to determine uncollectible grants receivable. Management has determined no allowance is necessary for grants receivable at June 30, 2017 and 2016.

### INVESTMENTS

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

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

### PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as unrestricted support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

---

# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$55,528 and \$50,591 for the years ended June 30, 2017 and 2016, respectively.

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

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

### FUNCTIONAL ALLOCATION OF EXPENSES

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

### INCOME TAXES

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

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

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2013 through 2015 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

### ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are expensed as incurred. Advertising costs, included in other costs on the Statement of Activities for the years ended June 30, 2017 and 2016 were \$27,962 and \$12,991, respectively.

---

# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

### NOTE 2 - FAIR VALUE MEASUREMENTS

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

#### Basis of Fair Value Measurement

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;
- Level 2 - Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value as of June 30, 2017:

Investments	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	252,873	0	0
Exchange traded funds	531,185	0	0
<b>Total</b>	<b>784,058</b>	<b>0</b>	<b>0</b>

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

Investments	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	100,283	0	0
Mutual funds	10,401	0	0
Exchange traded funds	236,134	0	0
Stocks	118,664	0	0
<b>Total</b>	<b>465,482</b>	<b>0</b>	<b>0</b>

### NOTE 3 - BENEFICIAL INTEREST

A donor has established a fund at a local Community Foundation to receive gifts for the purpose of providing support to the Organization. The value of contributions made directly to the fund and the related appreciation (depreciation) is not considered to be an asset of the Organization, however, the Organization receives the income earned on the assets. Distributions from the fund are recorded as contribution revenue when the distribution is taken. The distribution received during the years ended June 30, 2017 and 2016 was \$23,236 and \$0, respectively. The value of the fund held on behalf of the Organization was \$86,478 and \$54,417 at June 30, 2017 and 2016, respectively.

---

**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

---

**NOTES TO FINANCIAL STATEMENTS**June 30, 2017 and 2016

---

**NOTE 4 - CAPITAL LEASE**

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

	<u>2017</u>	<u>2016</u>
Capital cost	36,189	36,189
Accumulated depreciation	20,508	13,270
Net book value	15,681	22,919
Depreciation expense	7,238	7,238

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

2018	7,852
2019	7,852
2020	1,308
Total future minimum lease payments	17,012
Amount representing interest	607
Net present value of future minimum lease payments	16,405
Less current portion	7,428
Amount due beyond current one year	8,977

**NOTE 5 - OPERATING LEASE**

The Organization entered into a one year lease agreement with a tenant that expires in January 2018. The tenant owes rent on the first of each month in equal installments of \$1,800. Future minimum rentals on non-cancelable leases at June 30, 2017 are \$12,600.

The Organization entered into a lease for office equipment, effective April 1, 2016, requiring monthly payments of \$334 through June 2019. Total lease expense for the office equipment for the year ended June 30, 2017 was \$4,008. The Organization also incurred various other related maintenance costs and taxes related to office equipment of approximately \$3,600 during the year ended June 30, 2017.

Future minimum payments under this agreement for the years ending June 30 are as follows:

2018	4,008
2019	4,008
Total future minimum lease payments	8,016

---

# **LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

---

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

### **NOTE 6 - RETIREMENT PLAN**

The Organization contributes to a simplified employee pension plan for substantially all employees. The amount of the contribution to the plan is at the discretion of the Board of Directors of the Organization and is a percentage of employee salaries. The Organization contributed \$18,213 and \$17,745 for the years ended June 30, 2017 and 2016, respectively. The Organization also established an Employee Tax Deferred Savings Plan under Internal Revenue Code Section 403(b). Employees may choose to contribute to the plan at their discretion through pre-tax payroll deductions.

### **NOTE 7 - CONTINGENCIES**

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

### **NOTE 8 - CONCENTRATIONS**

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

### **NOTE 9 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 31, 2017, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>Department of Homeland Security</b>				
<b>Passed-through United Way of St. Joseph County, Inc.</b>				
Emergency Food and Shelter National Board Program	97.024	277600-011 Phase 33	4,000	0
<i>Total Department of Homeland Security</i>			4,000	0
<b>Department of Health and Human Services</b>				
<b>Passed-through Affiliated Service Providers of Indiana, Inc. (ASPIN)</b>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	49-15-HO-1274	1,052,927	0
<b>Passed-through Intecare, Inc.</b>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	806	121,624	0
<b>Total Block Grants for Prevention and Treatment of Substance Abuse</b>			1,174,551	0
<i>Total Department of Health and Human Services</i>			1,174,551	0
<b>Department of Housing and Urban Development</b>				
<b>Passed-through City of South Bend</b>				
Emergency Solutions Grant Program	14.231	15-JE-03	7,000	0
Emergency Solutions Grant Program	14.231	16-JE-03	32,000	0
<b>Total Emergency Solutions Grant Program</b>			39,000	39,000
<b>Supportive Housing Program</b>				
Supportive Housing Program	14.235	IN0145J5H001503	155,177	0
Supportive Housing Program	14.235	IN0145J5H001402	10,325	0
<b>Total Supportive Housing Program</b>			165,502	0
<i>Total Department of Housing and Urban Development</i>			204,502	0
<b>Total Expenditures of Federal Awards</b>			<b>1,383,053</b>	<b>0</b>

### NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Life Treatment Centers, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the costs principles contained in OMB Circular A-133, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allocable or are limited as to reimbursement.
2. The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## ADDITIONAL REQUIRED REPORTS AND INFORMATION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Life Treatment Centers, Inc., which comprise the statement of financial position as of June 30, 2017, 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 October 31, 2017 .

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Krueger, Jauton & Company, LLC". The signature is written in a cursive style.

Certified Public Accountants

Elkhart, Indiana  
October 31, 2017



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

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

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

We have audited Life Treatment Centers, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
October 31, 2017

---

**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

---

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2017

---

---

**Section I - Summary of Auditor's Results**

---

**Financial Statements**

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

**Federal Awards**

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

---

**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

---

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2017

---

**Section II - Financial Statement Findings**

---

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

---

**Section III - Federal Award Findings and Questioned Costs**

---

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

---

**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

---

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

For the Year Ended June 30, 2017

There were no prior year audit findings.