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September 26, 2019


Board of Directors  
The Starke County Youth Club, Inc.  
210 W. Culver Road  
Starke, IN 46534

We have reviewed the audit report of The Starke County Youth Club, Inc. which was opined upon by Swartz, Retson, & Co., PC, Independent Public Accountants, for the period June 1, 2018 to May 31, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of The Starke County Youth Club, Inc. as of May 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Emphasis-of-Matter paragraph included in the Independent Auditors' Report and further detailed in Note 2.

In our opinion, Swartz, Retson, & Co., PC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**THE STARKE COUNTY  
YOUTH CLUB, INC.**

MAY 31, 2019 AND 2018

SWARTZ, RETSON & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
235 E. 86<sup>TH</sup> AVENUE  
MERRILLVILLE, IN 46410

THE STARKE COUNTY YOUTH CLUB, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Starke County Youth Club, Inc.  
210 W. Culver Road  
Knox, IN 46534

We have audited the accompanying financial statements of The Starke County Youth Club, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Starke County Youth Club, Inc. as of May 31, 2019 and 2018, 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.

### Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of governmental funding 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.

### Emphasis of Matter

As discussed in Note 2 to the financial statements, one of the Organization's 21<sup>st</sup> Century Community Learning Center grants had finished its grant term and the Organization did not win an award in the next competitive round of funding. The loss of this grant contributed to the fiscal 2019 decrease in net assets of \$72,139 and causes uncertain conditions that create substantial doubt of its ability to operate in the future. Management has evaluated these conditions and determined that a reduction in expenses and a reduction in staff and increased revenues would alleviate this uncertainty. Our opinion is not modified with respect to this matter.

*Swartz, Peterson & Co., P.C.*

Merrillville, IN  
August 31, 2019

**THE STARKE COUNTY YOUTH CLUB, INC.**

STATEMENTS OF FINANCIAL POSITION  
MAY 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 98,187	\$ 86,226
Investments	2,222	2,250
Grants Receivable – Net of Allowance of \$0 and \$0	19,419	90,513
Pledges Receivable – Net of Allowance of \$5,163 and \$5,564	7,924	12,585
Prepaid Expenses	3,813	3,740
Property and Equipment – Net	<u>240</u>	<u>420</u>
TOTAL ASSETS	<u>\$131,805</u>	<u>\$195,734</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 8,646	\$ 6,556
Accrued Payroll	5,478	00
Accrued Expenses and Taxes	<u>2,752</u>	<u>2,110</u>
Total Liabilities	<u>16,876</u>	<u>8,666</u>
NET ASSETS		
Without Donor Restrictions	99,960	167,346
With Donor Restrictions	<u>14,969</u>	<u>19,722</u>
Total Net Assets	<u>114,929</u>	<u>187,068</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$131,805</u>	<u>\$195,734</u>

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

**THE STARKE COUNTY YOUTH CLUB, INC.**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Government Grant Revenue	\$256,000	\$ 00	\$256,000
Other Grant Revenue	00	9,000	9,000
Donations	51,342	00	51,342
Membership Income	6,205	00	6,205
Transportation Income	575	00	575
Fundraising Income	15,356	00	15,356
Investment Income - Net	52	00	52
In-Kind Donations	6,300	00	6,300
Miscellaneous Income	<u>7</u>	<u>00</u>	<u>7</u>
Total Revenues, Gains, and Other Support			
Prior to Net Assets Released from Restrictions	335,837	9,000	344,837
Net Assets Released from Restrictions	<u>13,753</u>	<u>(13,753)</u>	<u>00</u>
Total Revenues, Gains, and Other Support	<u>349,590</u>	<u>(4,753)</u>	<u>344,837</u>
<b>EXPENSES AND LOSSES</b>			
Program Services	360,284	00	360,284
Management and General	44,605	00	44,605
Fundraising	<u>12,087</u>	<u>00</u>	<u>12,087</u>
Total Expenses and Losses	<u>416,976</u>	<u>00</u>	<u>416,976</u>
<b>CHANGE IN NET ASSETS</b>	(67,386)	(4,753)	(72,139)
<b>NET ASSETS - Beginning of Year</b>	<u>167,346</u>	<u>19,722</u>	<u>187,068</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 99,960</u>	<u>\$ 14,969</u>	<u>\$114,929</u>

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

THE STARKE COUNTY YOUTH CLUB, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Government Grant Revenue	\$469,375	\$ 00	\$469,375
Other Grant Revenue	2,000	12,861	14,861
Donations	68,854	00	68,854
Membership Income	6,351	00	6,351
Fundraising Income	19,182	00	19,182
Investment Income - Net	170	00	170
In-Kind Donations	8,000	00	8,000
Miscellaneous Income	<u>10</u>	<u>00</u>	<u>10</u>
Total Revenues, Gains, and Other Support			
Prior to Net Assets Released from Restrictions	573,942	12,861	586,803
Net Assets Released from Restrictions	<u>3,993</u>	<u>(3,993)</u>	<u>00</u>
Total Revenues, Gains, and Other Support	<u>577,935</u>	<u>8,868</u>	<u>586,803</u>
EXPENSES AND LOSSES			
Program Services	506,605	00	506,605
Management and General	44,264	00	44,264
Fundraising	<u>14,117</u>	<u>00</u>	<u>14,117</u>
Total Expenses and Losses	<u>564,986</u>	<u>00</u>	<u>564,986</u>
CHANGE IN NET ASSETS	12,949	8,868	21,817
NET ASSETS - Beginning of Year	<u>154,397</u>	<u>10,854</u>	<u>165,251</u>
NET ASSETS - End of Year	<u>\$167,346</u>	<u>\$ 19,722</u>	<u>\$187,068</u>

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

THE STARKE COUNTY YOUTH CLUB, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2019

	Program Expenses	Mgmt & General	Fund- raising	Total Expenses
SALARIES AND RELATED EXPENSES				
Payroll Expense	\$245,398	\$ 24,204	\$ 00	\$269,602
Payroll Taxes	18,823	1,852	00	20,675
Health Benefits	<u>22,451</u>	<u>00</u>	<u>00</u>	<u>22,451</u>
Total Salaries and Related Expenses	286,672	26,056	00	312,728
Depreciation	180	00	00	180
Transportation	10,873	00	00	10,873
Insurance	4,475	1,539	100	6,114
Professional Services	2,194	9,750	00	11,944
Office Supplies	1,997	904	32	2,933
Postage	695	231	231	1,157
Professional Development	3,588	00	00	3,588
Technology	24	2,332	00	2,356
Small Equipment	190	271	00	461
Small Furnishings	00	448	00	448
Printing and Advertising	273	677	2,635	3,585
Travel	3,262	39	32	3,333
EZ Reports	2,400	00	00	2,400
Program Supplies	19,586	00	00	19,586
Evaluation	13,500	00	00	13,500
Fundraising Expense	00	00	8,685	8,685
Cell Phone	1,175	150	00	1,325
Rent	4,800	1,500	199	6,499
Fees	791	708	173	1,672
Bad Debts	<u>3,609</u>	<u>00</u>	<u>00</u>	<u>3,609</u>
TOTAL EXPENSES	<u>\$360,284</u>	<u>\$ 44,605</u>	<u>\$ 12,087</u>	<u>\$416,976</u>

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

THE STARKE COUNTY YOUTH CLUB, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2018

	<u>Program Expenses</u>	<u>Mgmt &amp; General</u>	<u>Fund- raising</u>	<u>Total Expenses</u>
SALARIES AND RELATED EXPENSES				
Payroll Expense	\$306,691	\$ 24,204	\$ 00	\$330,895
Payroll Taxes	23,461	1,852	00	25,313
Health Benefits	<u>29,450</u>	<u>00</u>	<u>00</u>	<u>29,450</u>
Total Salaries and Related Expenses	359,602	26,056	00	385,658
Depreciation	180	00	00	180
Transportation	22,777	00	00	22,777
Insurance	5,531	1,504	361	7,396
Professional Services	3,873	9,650	00	13,523
Office Supplies	1,216	1,234	425	2,875
Postage	787	263	263	1,313
Professional Development	7,664	00	00	7,664
Technology	159	2,003	00	2,162
Small Equipment	10,787	00	00	10,787
Printing and Advertising	484	1,060	1,563	3,107
Travel	6,491	00	94	6,585
EZ Reports	4,800	00	00	4,800
Program Supplies	42,050	00	00	42,050
Evaluation	22,310	00	00	22,310
Fundraising Expense	00	00	11,166	11,166
Cell Phone	1,625	150	00	1,775
Rent	6,000	2,000	175	8,175
Fees	2,066	344	70	2,480
Bad Debts	<u>8,203</u>	<u>00</u>	<u>00</u>	<u>8,203</u>
TOTAL EXPENSES	<u>\$506,605</u>	<u>\$ 44,264</u>	<u>\$ 14,117</u>	<u>\$564,986</u>

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

THE STARKE COUNTY YOUTH CLUB, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (72,139)	\$ 21,817
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities		
Depreciation	180	180
(Increase) Decrease in:		
Grants Receivable	71,094	29,068
Pledges Receivable	4,661	(4,602)
Prepaid Expenses	(72)	54
Increase (Decrease) in:		
Accounts Payable	2,090	(902)
Accrued Payroll	5,478	00
Accrued Expenses and Taxes	<u>641</u>	<u>11</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,933	45,626
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	<u>28</u>	<u>(92)</u>
NET INCREASE IN CASH	11,961	45,534
CASH - Beginning of Year	<u>86,226</u>	<u>40,692</u>
CASH - End of Year	<u>\$ 98,187</u>	<u>\$ 86,226</u>

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

# THE STARKE COUNTY YOUTH CLUB, INC.

## NOTES TO THE FINANCIAL STATEMENTS MAY 31, 2019 AND 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Organization

The Starke County Youth Club, Inc. ("the Organization") supports children and families by providing a safe, enriching environment and with positive role models. The Organization's programs include after-school and summer programs and enrichment programs. The programs operate at schools throughout Starke County, Indiana. The after-school program operates in North Judson-San Pierre Elementary in North Judson, Oregon-Davis Elementary in Hamlet, and Knox Community Elementary in Knox.

The Organization is primarily funded by a 21<sup>st</sup> Century Community Learning Center grant which is provided by the United States Department of Education. The Indiana Department of Education is the pass-through agency for these funds.

#### Basis of Accounting

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

#### Basis of Presentation

The Organization records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

#### Advertising

Advertising costs are included in the account titled "Printing and Advertising" in the Statement of Functional Expenses. These costs are expensed as incurred. Printing and Advertising expense was \$3,585 and \$3,107 for the years ended May 31, 2019 and 2018, respectively.

# THE STARKE COUNTY YOUTH CLUB, INC.

## NOTES TO THE FINANCIAL STATEMENTS MAY 31, 2019 AND 2018

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

#### Contributions and Pledges

The Organization records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. The Organization recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Contributions and pledges receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with donors having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

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

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

#### Property and Equipment

Property and equipment are carried at cost. Depreciation expense is computed using straight-line methods over the estimated useful life of the assets. The fair market values of donated assets are also capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. The depreciation expense was \$180 and \$180 for the years ended May 31, 2019 and 2018, respectively.

#### Cash

Cash, as presented on the accompanying statement of financial position and statement of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions.

#### Investments

Investments are carried at fair value. Investment income and realized and unrealized gains and losses are reflected in the statement of activities as investment income - net.

# THE STARKE COUNTY YOUTH CLUB, INC.

## NOTES TO THE FINANCIAL STATEMENTS MAY 31, 2019 AND 2018

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

#### Underwater Endowment Funds

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instruction. The Organization complies with an enacted version of UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization has no underwater endowment funds for the years ended May 31, 2019 and 2018.

#### Grants Receivable

The Organization maintains an allowance for doubtful accounts carried at an amount which bad accounts are reasonably expected not to exceed. Receivables are considered past due when payment is not received within the period allowed under terms of the sales. Periodically, the Organization's management reviews past due receivables and allows for all accounts deemed uncollectible after all reasonable collection efforts have been exhausted.

#### Income Taxes

The Organization qualified under the provisions of the Internal Revenue Code 501(c)(3) as a not-for-profit organization and, therefore is exempt from federal and state income taxes. The Organization is not classified as a private foundation.

#### Uncertain Tax Positions

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

#### Financial Instruments and Credit Risk

The Organization is a not-for-profit corporation operating primarily in Starke County, Indiana. As such, the Organization's pledges and grants receivable are from donors and grantors within the same geographic region. The terms of the pledges and grants give rise to unsecured receivables, as is common industry practice. Unsecured pledges and grants receivable total \$32,506 and \$108,662 for the years ended May 31, 2019 and 2018, respectively.

# THE STARKE COUNTY YOUTH CLUB, INC.

## NOTES TO THE FINANCIAL STATEMENTS MAY 31, 2019 AND 2018

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

#### Capital Gifts to Acquire or Construct Long-Lived Assets

Capital gifts to acquire or construct long-lived assets are recorded as a donor restricted gift until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset.

#### Functional Expense Allocation Methodology

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation, the administrative area, the marketing and communications area, and the information technology area. Depreciation is allocated based on square footage, administrative area is allocated based on estimate of time and effort, certain costs of marketing and communications are allocated based on estimates of time and effort, and information technology area is allocated based on estimates of time and costs of specific technology utilized.

#### Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in interest bearing accounts.

To help manage unanticipated liquidity needs, the Organization could draw from savings.

### NOTE 2 - MANAGEMENT'S GOING CONCERN ASSESSMENT

The Financial Accounting Standards Board (FASB ASC 205-40) requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued. When conditions or events that raise substantial doubt exist, management's evaluation of them and its mitigating plans to alleviate substantial doubt are required to be disclosed to users of the financial statements.

One of the Organization's two 21<sup>st</sup> Century Community Learning Center grants had finished its grant term and the Organization did not win an award in the next competitive round of funding. In fiscal 2018, the grant was \$201,725 or 34% of its revenue. The loss of this grant contributed to the fiscal 2019 decrease in net assets of \$72,139 and causes uncertain conditions that create substantial doubt of its ability to operate in the future.

THE STARKE COUNTY YOUTH CLUB, INC.

NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2019 AND 2018

NOTE 2 - MANAGEMENT'S GOING CONCERN ASSESSMENT CONTINUED

Management has evaluated this condition and has determined that a reduction of expenses and replacement of revenue would alleviate this uncertainty. The Organization's budget for fiscal 2020 includes an additional \$71,000 reduction of expenses. This is accomplished through the reduction of management and direct level staff. The Organization has eliminated a management position and consolidated locations. Some expenses were directly tied to the grant funding not received and are reduced without impact. The Organization has reduced expenses for evaluating and reporting costs totaling \$2,400. Management has reduced the percentage of premiums paid for health insurance. The Organization will continue to look at expenses and to increase revenue through the addition of fundraisers and grant applications.

NOTE 3 - ACCOUNTING PRONOUNCEMENT ADOPTED

In August 2016, the FASB issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted ASU 2016-14 as of and for the year ended May 31, 2019 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively, which has resulted in reclassifications to fiscal 2018. The Organization has opted not to disclose liquidity and availability information for fiscal 2018 as permitted under the ASU in the year of adoption.

NOTE 4 - AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>Amount</u>
Cash	\$ 98,187
Grants Receivable	19,419
Pledges Receivable - Net of Allowance	7,924
Investments	<u>2,222</u>
Total Financial Assets Available Within One Year	<u>127,752</u>
Less: Amounts Unavailable for General Expenditures	
Within One Year Due to:	
Restricted by Donors with Purpose Restrictions	12,819
Restricted by Donors in Perpetuity	<u>2,150</u>
Total Amounts Unavailable for General Expenditure Within One Year	<u>14,969</u>
Total Financial Assets Available to Management for	
General Expenditure Within One Year	<u>\$112,783</u>

THE STARKE COUNTY YOUTH CLUB, INC.

NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2019 AND 2018

NOTE 5 - INVESTMENTS

The Organization created a charitable endowment and transferred funds to the Northern Indiana Community Foundation ("the Community Foundation"). It specified itself as the beneficiary. In accordance with current accounting standards, these funds are recorded as an asset to the Organization. Annual earnings allocable to the Organization's funds held by the Community Foundation, net of fees and expenses, may be distributed to the Organization.

The Community Foundation purchases various types of investments. The investment amounts at May 31, 2019 and 2018 were \$2,222 and \$2,250, respectively. The activity for the years ended May 31, 2019 and 2018 is as follows:

	Fiscal <u>2019</u>	Fiscal <u>2018</u>
Beginning Balance	\$ 2,250	\$ 2,158
Investment Income	97	215
Fees	(45)	(45)
Amounts Appropriated for Expenditure	<u>(80)</u>	<u>(78)</u>
Ending Balance	<u>\$ 2,222</u>	<u>\$ 2,250</u>

Investment income is comprised of the following:

	Fiscal <u>2019</u>	Fiscal <u>2018</u>
Investment Income - Net	\$ 52	\$ 170

The Fair Value Measurements Standard defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Company's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Standard establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

THE STARKE COUNTY YOUTH CLUB, INC.

NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2019 AND 2018

NOTE 5 - INVESTMENTS CONTINUED

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following tables present by level, within the fair value hierarchy, the Organization's investment assets at fair value, as of May 31, 2019 and 2018, respectively. As required, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

<u>Description</u>	<u>May 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Fund - Held by Community Foundation	\$ 2,222	\$ 00	\$ 2,222	\$ 00

<u>Description</u>	<u>May 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Fund - Held by Community Foundation	\$ 2,250	\$ 00	\$ 2,250	\$ 00

The following is a description of the valuation techniques and inputs as of May 31, 2019 and 2018, respectively, for the Organization's assets measured at fair value:

*Endowment Fund* - Valued at market prices as provided by the Northern Indiana Community Foundation.

NOTE 6 - INVESTMENTS - DONOR DESIGNATED ENDOWMENT

The Organization has a donor designated endowment fund established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

THE STARKE COUNTY YOUTH CLUB, INC.

NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2019 AND 2018

NOTE 6 - INVESTMENTS - DONOR DESIGNATED ENDOWMENT CONTINUED

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. The Organization has no set return objectives. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization currently has no spending policy.

Endowment net asset composition by type of fund as of May 31, 2019 and 2018 is as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Net Endowment <u>Funds</u>
<u>2019</u>			
Donor-Designated Endowment Fund	\$ 72	\$ 2,150	\$ 2,222
<u>2018</u>			
Donor-Designated Endowment Fund	\$ 100	\$ 2,150	\$ 2,250

Changes in endowment net assets as of May 31, 2019 and 2018 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Net Endowment <u>Funds</u>
<u>2019</u>			
Endowment Net Assets - Beginning of Year	\$ 100	\$ 2,150	\$ 2,250
Investment Income	97	00	97
Fees	(45)	00	(45)
Amounts Appropriated for Expenditure	(80)	00	(80)
Endowment Net Assets - End of Year	<u>\$ 72</u>	<u>\$ 2,150</u>	<u>\$ 2,222</u>

**THE STARKE COUNTY YOUTH CLUB, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2019 AND 2018

NOTE 6 - INVESTMENTS - DONOR DESIGNATED ENDOWMENT CONTINUED

<u>2018</u>	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Funds
Endowment Net Assets - Beginning of Year	\$ 8	\$ 2,150	\$ 2,158
Investment Income	215	00	215
Fees	(45)	00	(45)
Amounts Appropriated for Expenditure	<u>(78)</u>	<u>00</u>	<u>(78)</u>
Endowment Net Assets - End of Year	<u>\$ 100</u>	<u>\$ 2,150</u>	<u>\$ 2,250</u>

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions is comprised of undesignated amounts at:

	Fiscal <u>2019</u>	Fiscal <u>2018</u>
Total Net Assets without Donor Restrictions	\$ 99,960	\$167,346

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows:

	Fiscal <u>2019</u>	Fiscal <u>2018</u>
Subject to Expenditure for Specified Purpose:		
After School Programming	\$ 3,094	\$ 8,005
Cultural Activities	8,380	7,308
Gardening Activities	1,192	1,192
Field Trip for College	149	149
Youth Leadership/Substance and Risky Behavior Awareness	<u>4</u>	<u>918</u>
Total Subject to Expenditure for Specified Purpose	12,819	17,572
Subject to Donor Stipulation to Remain in Perpetuity:		
Restricted in Perpetuity	<u>2,150</u>	<u>2,150</u>
Total Net Assets with Donor Restrictions	<u>\$ 14,969</u>	<u>\$ 19,722</u>

**THE STARKE COUNTY YOUTH CLUB, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2019 AND 2018

NOTE 9 - PLEDGES RECEIVABLE

The Organization has pledges receivable from donors. Collection is expected to be as follows:

	Fiscal <u>2019</u>	Fiscal <u>2018</u>
Total Pledges Receivable – Due Within One Year	\$ 13,087	\$ 18,149
Less: Allowance for Doubtful Accounts	<u>5,163</u>	<u>5,564</u>
Total Pledges Receivable – Net	<u>\$ 7,924</u>	<u>\$ 12,585</u>

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment on the accompanying statement of financial position includes the following:

	Fiscal <u>2019</u>	Fiscal <u>2018</u>
Office Equipment	\$ 1,800	\$ 1,800
Less: Accumulated Depreciation	<u>1,560</u>	<u>1,380</u>
Total Property and Equipment	<u>\$ 240</u>	<u>\$ 420</u>

NOTE 11 - CONCENTRATION OF REVENUE

For the years ending May 31, 2019 and 2018, the Organization received 74% and 80% of its revenue from the Indiana Department of Education. No determination has been made as to the effect on the financial statements should this source cease funding The Starke County Youth Club, Inc.

NOTE 12 - CONTRIBUTED FACILITY USAGE

The Organization uses space located in four schools to operate its programs. The Organization has a memorandum of understanding with the schools regarding the use of the facilities and pays no rent. The Organization records an in-kind contribution and rent expense based on the estimated fair market value of the space being used. During the years ended May 31, 2019 and 2018, the Organization recorded \$6,300 and \$8,000 as contributed facility usage.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 31, 2019, the date the financial statements were available for issuance.

**SUPPLEMENTAL INFORMATION**

THE STARKE COUNTY YOUTH CLUB, INC.

SCHEDULE OF GOVERNMENTAL FUNDING  
FOR THE YEAR ENDED MAY 31, 2019

<u>Governmental Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant ID</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>
<b>FEDERAL AWARDS</b>				
United States Department of Education Pass-Through Program from: Indiana Department of Education 21 <sup>st</sup> Century Community Learning Center 6/1/18 to 5/31/19	84.287	A58-8-18DL-4512	\$256,000	<u>\$256,000</u>
TOTAL FEDERAL AWARDS				<u>\$256,000</u>

## EXIT CONFERENCE

An exit conference was held with representatives of The Starke County Youth Club, Inc. on September 5, 2019 at the office of The Starke County Youth Club, Inc. in Knox, Indiana.

### THE STARKE COUNTY YOUTH CLUB, INC.

IRENE SZAKONYI

EXECUTIVE DIRECTOR

BOARD OF DIRECTORS

### AUDIT ORGANIZATION REPRESENTATIVES

GREG WARD

PRINCIPAL