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September 28, 2020

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

We have reviewed the audit report of Life Treatment Centers, Inc., which was opined upon by Kruggel, Lawton & Company LLC, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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, 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 finding included in the report on page 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan immediately follows page 23.

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

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

Paul D. Joyce, CPA  
State Examiner



**ANNUAL REPORT**  
**June 30, 2019**

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# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

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ANNUAL REPORT

June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Life Treatment Centers, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 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.

## 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 29, 2019, 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 29, 2019

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

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**STATEMENTS OF FINANCIAL POSITION**

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	609,284	449,096
Certificates of deposit	261,912	256,575
Grants receivable	228,573	386,562
Employee advance	2,450	200
Prepaid expense	30,590	30,852
Investments	654,458	592,817
<b>Total Current Assets</b>	<b>1,787,267</b>	<b>1,716,102</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	174,035	174,035
Buildings and building improvements	1,439,789	1,419,418
Furniture and equipment	192,779	188,491
Vehicles	54,146	54,146
<b>Total</b>	<b>1,860,749</b>	<b>1,836,090</b>
Accumulated depreciation	1,336,314	1,280,559
<b>Net Property and Equipment</b>	<b>524,435</b>	<b>555,531</b>
<b>OTHER ASSETS</b>		
Certificates of deposit	250,000	0
<b>TOTAL ASSETS</b>	<b>2,561,702</b>	<b>2,271,633</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Current portion of capital lease	876	7,673
Accounts payable	21,341	15,361
Accrued salaries, wages and benefits	79,803	72,964
Other accrued expenses	476	0
<b>Total Current Liabilities</b>	<b>102,496</b>	<b>95,998</b>
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligation, less current portion	0	1,304
<b>TOTAL LIABILITIES</b>	<b>102,496</b>	<b>97,302</b>
<b>NET ASSETS</b>		
Without donor restriction	2,459,206	2,174,331
<b>Total Net Assets</b>	<b>2,459,206</b>	<b>2,174,331</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,561,702</b>	<b>2,271,633</b>

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

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**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

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**STATEMENTS OF ACTIVITIES**

For the Years Ended June 30, 2019 and 2018

	2019			2018		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>						
Federal grant revenue	1,394,613	0	1,394,613	1,387,571	0	1,387,571
Federal contract revenue	339,210	0	339,210	375,930	0	375,930
State grant revenue	453,648	0	453,648	421,935	0	421,935
Other grants and contributions	30,995	0	30,995	20,044	0	20,044
Program service fees	130,903	0	130,903	102,082	0	102,082
Net realized gain (loss)	8,970	0	8,970	(40)	0	(40)
Net unrealized gain (loss)	(2,262)	0	(2,262)	41,402	0	41,402
Interest income	20,011	0	20,011	14,567	0	14,567
Rent revenue	20,000	0	20,000	23,000	0	23,000
Miscellaneous revenue	13,874	0	13,874	11,547	0	11,547
Fundraising event revenue	35,925	0	35,925	51,426	0	51,426
Less: costs of direct benefits to donors	<u>(4,093)</u>	<u>0</u>	<u>(4,093)</u>	<u>(8,299)</u>	<u>0</u>	<u>(8,299)</u>
Net revenues from special events	31,832	0	31,832	43,127	0	43,127
<b>Total</b>	<b>2,441,794</b>	<b>0</b>	<b>2,441,794</b>	<b>2,441,165</b>	<b>0</b>	<b>2,441,165</b>
<b>EXPENSES</b>						
Program:						
Residential and treatment services	1,592,365	0	1,592,365	1,628,281	0	1,628,281
Management and general	514,144	0	514,144	556,379	0	556,379
Fundraising	50,410	0	50,410	76,920	0	76,920
<b>Total</b>	<b>2,156,919</b>	<b>0</b>	<b>2,156,919</b>	<b>2,261,580</b>	<b>0</b>	<b>2,261,580</b>
<b>CHANGE IN NET ASSETS</b>	<b>284,875</b>	<b>0</b>	<b>284,875</b>	<b>179,585</b>	<b>0</b>	<b>179,585</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,174,331</b>	<b>0</b>	<b>2,174,331</b>	<b>1,994,746</b>	<b>0</b>	<b>1,994,746</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>2,459,206</b>	<b>0</b>	<b>2,459,206</b>	<b>2,174,331</b>	<b>0</b>	<b>2,174,331</b>

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

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**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

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**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2019

	<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	970,301	253,104	11,075	1,234,480
Payroll taxes	72,239	18,844	825	91,908
Benefits	200,132	52,205	2,284	254,621
Insurance	44,763	11,545	0	56,308
Repairs and maintenance	45,525	6,503	0	52,028
Utilities	64,476	9,211	0	73,687
Telephone	6,826	975	0	7,801
Auto	21,815	0	0	21,815
Office supplies	0	8,106	0	8,106
Dues and subscriptions	0	60	0	60
Professional fees	3,744	37,849	0	41,593
Printing and postage	0	9,790	0	9,790
Contract fees	0	25,099	0	25,099
Information technology	0	57,759	0	57,759
Food	60,770	0	0	60,770
Supplies	14,583	0	0	14,583
Medical supplies	1,540	0	0	1,540
Medical consultants	4,324	0	0	4,324
Depreciation	48,786	6,969	0	55,755
Drug screening	3,880	0	0	3,880
Staff training	1,648	0	0	1,648
Interest	0	180	0	180
Security	27,013	0	0	27,013
Bank fees	0	1,197	0	1,197
Advertising expense	0	0	32,935	32,935
Other costs	0	14,748	0	14,748
Fundraising expense	0	0	7,384	7,384
Total Expenses	1,592,365	514,144	54,503	2,161,012
Less direct donor benefits netted in revenue		0	(4,093)	(4,093)
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>1,592,365</b>	<b>514,144</b>	<b>50,410</b>	<b>2,156,919</b>

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

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

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**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2018

	<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	1,005,595	255,691	22,707	1,283,993
Payroll taxes	76,902	19,554	1,737	98,193
Benefits	159,044	40,440	3,591	203,075
Insurance	42,229	10,500	0	52,729
Repairs and maintenance	53,399	7,628	0	61,027
Utilities	63,031	9,004	0	72,035
Telephone	6,508	930	0	7,438
Auto	26,327	0	0	26,327
Office supplies	0	10,960	0	10,960
Dues and subscriptions	0	1,802	0	1,802
Professional fees	3,729	40,811	0	44,540
Printing and postage	0	8,790	0	8,790
Contract fees	0	17,597	0	17,597
Information technology	0	89,255	0	89,255
Food	60,290	0	0	60,290
Supplies	25,088	0	0	25,088
Medical supplies	2,355	0	0	2,355
Medical consultants	13,524	0	0	13,524
Depreciation	51,812	7,402	0	59,214
Drug screening	6,700	0	0	6,700
Staff training	3,377	0	0	3,377
Interest	0	423	0	423
Security	28,371	0	0	28,371
Bank fees	0	2,241	0	2,241
Advertising expense	0	0	34,813	34,813
Other costs	0	33,351	0	33,351
Fundraising expense	0	0	22,371	22,371
Total Expenses	1,628,281	556,379	85,219	2,269,879
Less direct donor benefits netted in revenues		0	(8,299)	(8,299)
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>1,628,281</b>	<b>556,379</b>	<b>76,920</b>	<b>2,261,580</b>

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

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

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**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	284,875	179,585
Adjustments to reconcile changes in net assets to net cash from (used in) operating activities		
Depreciation	55,755	59,214
Net unrealized (gain) loss	2,262	(41,402)
Net realized (gain) loss	(8,970)	40
Gain on sale of asset	(500)	0
Adjustments for changes in operating assets and liabilities:		
Certificates of deposit	(5,337)	(3,702)
Grants receivable	157,989	(226,260)
Employee advance	(2,250)	(200)
Prepaid expense	262	(15,873)
Accounts payable	5,980	548
Accrued salaries, wages and benefits	6,839	2,529
Other accrued expenses	476	(1,000)
<b>Net Cash Flows from (used in) Operating Activities</b>	<b>497,381</b>	<b>(46,521)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of asset	500	0
Proceeds from sale of investments	191,759	39,579
Purchase of property and equipment	(24,659)	(31,069)
Purchase of investments	(496,692)	(63,551)
<b>Net Cash Flows used in Investing Activities</b>	<b>(329,092)</b>	<b>(55,041)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital lease principal payments	(8,101)	(7,428)
<b>Net Cash Flows used in Financing Activities</b>	<b>(8,101)</b>	<b>(7,428)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>160,188</b>	<b>(108,990)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>449,096</b>	<b>558,086</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>609,284</b>	<b>449,096</b>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	180	423

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

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# **LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

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## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

### **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 two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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.

#### **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.

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# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### CASH AND CASH EQUIVALENTS

For purposes of the Statement of Financial Position, the Organization considers all highly liquid investments without donor restrictions 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, 2019 and 2018.

### 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 class of net assets without donor restriction unless the donor or relevant laws place 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 current 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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 \$55,755 and \$59,214 for the years ended June 30, 2019 and 2018, 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

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# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### 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.

Expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages; payroll taxes; benefits; insurance	Time and effort
Utilities; telephone; repairs and maintenance; depreciation	Square footage

Other expenses are assigned to the respective functional category by method of direct assignment.

### 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 2015 through 2017 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, 2019 and 2018 were \$32,935 and \$34,813, respectively.

### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The ASU 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 adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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# LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### RECLASSIFICATIONS

Certain items in the 2018 financial statements have been reclassified to conform with the 2019 presentation. The reclassifications have no effect on total assets, liabilities, net assets, changes in net assets, or net cash flows as previously reported.

### NOTE 2 - LIQUIDITY AND AVAILABILITY

As of June 30, 2019, the Organization has working capital of \$1,684,771 and average days cash on hand of 102.

The table below represents financial assets available for general expenditures within one year at December 31, June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	609,284
Grants receivable	228,573
Employee advances	2,450
Investments	654,458
Total financial assets:	1,494,765
Less amounts not available to be used within one year:	
Certificates of deposit	250,000
Financial assets available to meet general expenditures within one year:	1,744,765

The Organization holds certificates of deposit within its investments that mature on or before June 30, 2019. Those certificates are subject to early withdrawal penalties but could be accessed in an emergency.

### NOTE 3 - 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.

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

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**NOTES TO FINANCIAL STATEMENTS**June 30, 2019 and 2018

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The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value as of June 30, 2019:

Investments	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	0	511,912	0	511,912
Exchange traded funds	654,458	0	0	654,458
<b>Total</b>	<b>654,458</b>	<b>511,912</b>	<b>0</b>	<b>1,166,370</b>

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value as of June 30, 2018:

Investments	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	0	256,575	0	256,575
Exchange traded funds	592,817	0	0	592,817
<b>Total</b>	<b>592,817</b>	<b>256,575</b>	<b>0</b>	<b>849,392</b>

**NOTE 4 - 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. There were no contributions or distributions received from the fund for the years ended June 30, 2019 and 2018. The value of the fund held on behalf of the Organization was \$98,650 and \$94,068 at June 30, 2019 and 2018, respectively.

**NOTE 5 - 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>2019</u>	<u>2018</u>
Capital cost	36,189	36,189
Accumulated depreciation	34,983	27,745
<b>Net book value</b>	<b>1,206</b>	<b>8,444</b>
Depreciation expense	7,238	7,237

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**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

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**NOTES TO FINANCIAL STATEMENTS**June 30, 2019 and 2018

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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:

2020	881
Total future minimum lease payments	881
Amount representing interest	5
Net present value of future minimum lease payments	876
Less current portion	876
Amount due beyond current one year	0

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**NOTE 6 - OPERATING LEASE**

The Organization renewed a one year lease agreement with a tenant that expires in January 2020. The tenant owes rent on the first of each month in equal installments of \$2,000. Future minimum rentals on non-cancelable leases at June 30, 2019 are \$14,000.

The Organization entered into a lease for office equipment, effective May 1, 2019, requiring monthly payments of \$352 through August 2022. Total lease expense for the office equipment for the year ended June 30, 2019 was \$704.

The Organization also entered into a lease for office equipment, effective October 1, 2018, requiring monthly payments of \$68 through September 2023. Total lease expense for the office equipment for the year ended June 30, 2019 was \$612.

The Organization also incurred various other related maintenance costs and taxes related to office equipment of approximately \$4,400 during the year ended June 30, 2019.

Future minimum payments under these agreements for the years ending June 30 are as follows:

2020	5,041
2021	5,041
2022	5,041
2023	1,168
2024	204
Total future minimum lease payments	16,495

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**NOTE 7 - 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 \$26,548 and \$22,957 for the years ended June 30, 2019 and 2018, 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.

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# **LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

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## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

### **NOTE 8 - 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 9 - 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 10 - RELATED PARTY TRANSACTIONS**

The Organization contracts with a media company for advertising services. The company is owned by a member of the Board of Directors. The Organization pays \$2,000 per month for the services, plus additional fees for special projects. During the years ended June 30, 2019 and 2018, the Organization purchased services totaling \$24,025 and \$31,650, respectively.

In addition, the Organization contracts with an information technology company for support services. The company is owned by a member of the Board of Directors. The Organization pays approximately \$738 per month for the services, plus additional fees for special projects. During the years ended June 30, 2019 and 2018, the Organization purchased services totaling \$15,216 and \$10,059, respectively.

### **NOTE 11 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 29, 2019, 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, 2019

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	277600-028 Phase 35	5,500	0
<i>Total Department of Homeland Security</i>			5,500	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	25124	991,043	0
<b>Passed-through Intecare, Inc.</b>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	806	203,475	0
<b>Total Block Grants for Prevention and Treatment of Substance Abuse</b>			1,194,518	0
<i>Total Department of Health and Human Services</i>			1,194,518	0
<b>Department of Housing and Urban Development</b>				
<b>Passed-through City of South Bend</b>				
Emergency Solutions Grant Program	14.231	18-JE-03	32,608	0
<b>Total Emergency Solutions Grant Program</b>			32,608	0
<b>Continuum of Care Program</b>				
Continuum of Care Program	14.267	IN0145J5H001604	8,956	0
Continuum of Care Program	14.267	IN0145J5H021705	153,031	0
<b>Total Continuum of Care Program</b>			161,987	0
<i>Total Department of Housing and Urban Development</i>			194,595	0
<b>Total Expenditures of Federal Awards</b>			<b>1,394,613</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, 2019. 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

- Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following 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.
- 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., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 29, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated 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 consolidated 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 the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 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*.

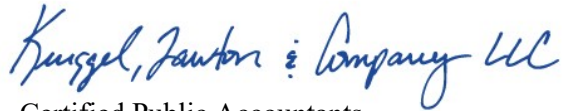
## **Life Treatment Centers, Inc.'s Response to Findings**

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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,



Certified Public Accountants

Elkhart, Indiana  
October 29, 2019



## 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, 2019. 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, 2019.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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 29, 2019

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**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2019

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

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**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	No
Significant deficiencies identified?	Yes
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?	No

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**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2019

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**Section II - Financial Statement Findings**

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SIGNIFICANT DEFICIENCIES

2019-001                      Accounts Payable

*Condition:*                      The Organization used the same check sequence multiple times for two separate check runs. These checks were actually printed on pre-numbered check stock which caused a discrepancy in the accounting records. The error was identified during the audit of the financial statements for the year ended June 30, 2018 as part of subsequent disbursement testing.

*Criteria:*                        The Organization is required to design, implement and maintain a system 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.

*Cause:*                            The accounting system does not prevent duplicate check numbers from being used.

*Effect:*                            The same check number can be used more than once. Completeness of the accounting records is difficult to verify, increasing the risk of fraud.

*Recommendation:*            We recommend that the Organization fully implement existing internal controls relative to the accounts payable process that minimize the risk that check numbers are used multiple times.

*Identification of Repeat Findings:*    This is a repeat finding previously included as finding number 2018-002 in the June 30, 2018 financial statements.

*Views of Responsible Officials and Planned Corrective Actions*    Management agrees with the finding and will implement proper internal controls to ensure that accounts payable and related disbursements are properly recorded.

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**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2019

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

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

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**LIFE TREATMENT CENTERS, INC.**

South Bend, Indiana

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

For the Year Ended June 30, 2019

FINANCIAL STATEMENT AUDIT FINDINGS

Finding 2018-001 PAYROLL

*Condition:* The Organization did not properly pay an employee based on supporting documentation.

*Recommendation:* We recommend that the Organization implement an internal control over payroll to provide for proper review of data entry in order to detect and correct human error when it occurs. One such option is to electronically transfer the time card information to the payroll provider.

*Current Status:* Management reviewed payroll spreadsheets for errors prior to changing payroll provider to TruPay. All time cards and approvals are submitted online, eliminating the need for manual data entry in spreadsheets.

Finding 2018-002 ACCOUNTS PAYABLE

*Condition:* The Organization used the same check sequence multiple times for two separate check runs. These checks were actually printed on pre-numbered check stock which caused a discrepancy in the accounting records.

*Criteria:* The Organization is required to design, implement and maintain a system 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.

*Current Status:* Management reviews check numbers during processing of checks to ensure that there are no duplicate numbers. Additionally, accounting software prompts user to ensure check number is not duplicated.

10/29/2019

**Life Treatment Centers, Inc.'s Corrective Action Plan**

Life Treatment Centers, Inc. respectfully submits the following corrective action plan for the year ended June 30<sup>th</sup>, 2019

Kruggel Lawton CPA  
210 S Michigan Street, South Bend, IN 46601

Audit Period: 2019 (July 1<sup>st</sup>, 2018 through June 30<sup>th</sup>, 2019)

**Financial Statement Findings**

**FINDING 2019-001** Accounts Payable

Management Response: A check run was printed wrong (due to a clerical error) causing duplicate check numbers on the Check Register.

Action Plan: An error code is in place when a duplicate check is being printed through our Accounting software. The check signers (CEO and Director of Clinical Support Services) will also double check the physical check numbers and the printed numbers before signing checks.

Responsible for Correct Action: CFO (Amy Grill), Senior Accountant (Bernie Jastrzembki), CEO (Julia Shapiro) and Director of Clinical Support Services (Chrystal Villela)

Anticipated Completion Date: Process in place as of 10/25/2018