



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B56513

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March 22, 2021

Board of Directors
The Arc of Northwest Indiana, Inc.
4315 East Michigan Blvd.
Michigan City, IN 46360

We have reviewed the audit report of The Arc of Northwest Indiana, Inc. which was opined upon by Applegate & Company, PC, 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 The Arc of Northwest Indiana, 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.

In our opinion, Applegate & Company, 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
Paul D. Joyce, CPA
State Examiner

THE ARC OF NORTHWEST INDIANA, INC.
Michigan City, Indiana

ANNUAL REPORT
June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The ARC of Northwest Indiana, Inc.
Michigan City, Indiana

We have audited the accompanying financial statements of The ARC of Northwest Indiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, support, functional expenses, and cash flows for the year 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

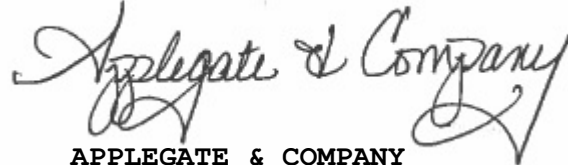
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 The ARC of Northwest Indiana, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



APPLEGATE & COMPANY
Certified Public Accountants

Michigan City, Indiana
March 27, 2020

THE ARC OF NORTHWEST INDIANA, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

SUPPORT AND REVENUE

Revenue - government support (fees and grants)	\$ 573,500
Other support	<u>111,699</u>
Total support and revenue	<u>685,199</u>

FUNCTIONAL EXPENSES (Note 9)

Program services	450,000
General and administrative	256,948
Fundraising expenses	<u>6,461</u>
Total functional expenses	<u>713,409</u>

DECREASE IN NET ASSETS (28,210)

NET ASSETS WITHOUT DONOR

RESTRICTIONS AT BEGINNING OF YEAR 2,158,175

NET ASSETS WITHOUT DONOR

RESTRICTIONS AT END OF YEAR \$2,129,965

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

THE ARC OF NORTHWEST INDIANA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

CURRENT ASSETS

Cash in banks	\$1,583,473
Note receivable - current portion (Note 2)	16,119
Prepaid expenses	6,997
Total current assets	<u>1,606,589</u>

LAND, BUILDING AND EQUIPMENT

Land and building	6,213,288
Property and equipment	354,975
Vehicles	755,227
Total cost	<u>7,323,490</u>
Less: accumulated depreciation	<u>(6,934,500)</u>
Net land, building and equipment	<u>388,990</u>

OTHER ASSETS

Note receivable (Note 2)	<u>446,842</u>
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Total assets \$2,442,421

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt (Note 5)	\$ 164,537
Accounts payable	4,254
Total current liabilities	<u>168,791</u>

LONG-TERM LIABILITIES (Note 5)

143,665

NET ASSETS (Note 1)

Without donor restrictions	<u>2,129,965</u>
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Total liabilities and net assets \$2,442,421

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

THE ARC OF NORTHWEST INDIANA, INC.

STATEMENT OF SUPPORT

For the year ended June 30, 2019

REVENUE - GOVERNMENT SUPPORT

(FEES AND GRANTS)

Lake County Government	\$573,500
Total government support	<u>\$573,500</u>

OTHER SUPPORT

Contributions	\$ 12,230
Fundraising revenue	7,126
Interest income	13,455
Rental income	22,778
Miscellaneous revenue	16,677
Gain on sale of asset	39,433
Total other support	<u>\$111,699</u>

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

THE ARC OF NORTHWEST INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Staff wages		\$ 34,098		\$ 34,098
Payroll taxes		2,608		2,608
Professional fees and services		83,879		83,879
Office supplies		140		140
Lake County day services	\$450,000			450,000
Postage and shipping expense		1,254		1,254
Utilities		1,880		1,880
Supplies- buildings		105		105
Seminar fees		430		430
Insurance		13,063		13,063
Dues, publications and memberships		6,945		6,945
Licenses and fees		180		180
Interest expense		4,527		4,527
Bank charges		1,244		1,244
Miscellaneous expenses		2,257		2,257
Tootsie Roll purchases			\$6,461	6,461
Copier lease		24,830		24,830
Total functional expenses before depreciation	450,000	177,440	6,461	633,901
Depreciation expense		79,508		79,508
Total functional expenses	<u>\$450,000</u>	<u>\$256,948</u>	<u>\$6,461</u>	<u>\$713,409</u>

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

THE ARC OF NORTHWEST INDIANA, INC.

STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (28,210)
Noncash transactions included in increase in net assets:	
Depreciation	79,508
(Increase)/decrease in assets:	
Accounts receivable	13,188
Prepaid expenses	(6,997)
Decrease in liabilities:	
Accounts payable	(1,247)
Accrued expenses	(144,136)
Net cash applied to operating activities	<u>(87,894)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	<u>(14,184)</u>
Net cash applied to investing activities	<u>(14,184)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net repayments:	
Long-term - bank	<u>(4,992)</u>
Net cash applied to financing activities	<u>(4,992)</u>

NET DECREASE IN CASH (107,070)

CASH AT BEGINNING OF YEAR 1,690,543

CASH AT END OF YEAR \$1,583,473

* * * *

Cash paid for interest \$ 4,527

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

THE ARC OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - The mission of The ARC of Northwest Indiana, Inc. is to improve the welfare of people with intellectual and developmental disabilities and their families. The mission includes the provision of support, training and care through education and advocacy.

BASIS OF PRESENTATION - The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- Net assets with donor restrictions: Net assets 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.

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THE ARC OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions in the statement of activities.

CONTRIBUTIONS RECEIVED AND CONTRIBUTIONS MADE - The Organization uses Accounting Standards Codification, Accounting for Contributions Received and Contributions Made. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

- Continued -

THE ARC OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year ended June 30, 2019, the Organization expended less than \$750,000, of federal grants and thus is not subject to the audit and reporting requirements of Uniform Guidance Subpart F.

LAND, BUILDING AND EQUIPMENT - Land, building and equipment are recorded at cost. Donated equipment is capitalized at the fair market value on the date of donation. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Depreciation of building and equipment is calculated using the straight-line method over the estimated useful lives. For the years ended June 30, 2019, depreciation totaled \$79,508.

INCOME TAXES - The ARC of Northwest Indiana, Inc. is exempt from tax on income under section 501(c)(3) of the Internal Revenue Code. Therefore, these statements do not include any provision for income taxes.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification Accounting for Uncertainty in Income Taxes," that clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. The Organization has adopted the Standard and evaluates all significant tax positions as required by generally accepted accounting principles in the

- Continued -

THE ARC OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

United States. As of June 30, 2019, the Organization does not believe that it has taken any tax positions that would require the recording of any tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization's income tax filings are subject to audit by various taxing authorities and the open audit periods are 2016-2019.

CASH EQUIVALENTS - All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents and are reflected as cash in the statements of cash flows.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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.

NEW ACCOUNTING PRONOUNCEMENT - On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*, which is effective for years beginning after December 15, 2017.

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THE ARC OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 implemented the pronouncement and has adjusted the presentation of these statements accordingly.

NOTE 2 - NOTE RECEIVABLE

In June 2016, the Organization sold certain land and a building located in Gary, Indiana. The sale price was \$500,000, with the Organization receiving a \$500,000 note from the purchaser. The note, which bears interest at 5.00% requires monthly payments of principal and interest through August 2020. The note is secured by the land and building. The balance of the note is \$462,961 as of June 30, 2019.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2019:

Cash	\$1,583,473
Note receivable - current portion	<u>16,119</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$1,599,592</u>

- Continued -

THE ARC OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments.

- Cash and cash equivalents: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Organization's financial instruments are as follows as of June 30, 2019:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash	\$1,583,473	\$1,583,473
Financial liabilities:		
Notes Payable	\$ 308,202	\$ 308,202

NOTE 5 - LONG-TERM DEBT

A schedule of the Organization's long-term debt at June 30, 2019 follows:

<u>Due to/(Security)</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>2019 Amount</u>
Department of Labor/ (Unsecured)	February 18, 2021	1.00%	\$10,000	\$211,432
Illinois Central School Bus LLC/ (Unsecured)	May 30, 2021	0.00%	\$ 2,708	67,708
First Financial/ (Real Estate)	May 1, 2024	5.63%	\$ 565	<u>29,062</u>
Total				308,202
Less current portion				<u>(164,537)</u>
Net long-term debt				<u>\$143,665</u>

- Continued -

THE ARC OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 5 - LONG-TERM DEBT (Continued)

Net long-term debt is due as follows:

June 30, 2020	\$164,537
2021	122,752
2022	8,623
2023	6,248
2024	6,042
Total	<u>\$308,202</u>

Interest expense on all loans totaled \$4,527 for the year ended June 30, 2019.

NOTE 6 - LEASE COMMITMENTS

During the year ended June 30, 2019, the Organization had a copier lease. The total copier lease rental expense for the year ended June 30, 2019 was \$24,830. The minimum rentals for the lease are as follows:

For the year ended June 30, 2020	\$27,018
2021	6,755
Total	<u>\$33,773</u>

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, the Organization's uninsured cash balances total \$1,069,541.

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THE ARC OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE 8 - FUNCTIONAL EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 27, 2020, which is the date the financial statements were available issuance.