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April 16, 2021

Board of Directors  
Gateway Services, Inc.  
3500 North Morton  
Franklin, IN 46131

We have reviewed the audit report of Gateway Services, Inc. which was opined upon by Mid-America Audit & Tax, Inc., Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Gateway Services, Inc. as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Mid-America Audit & Tax, Inc., prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**GATEWAY SERVICES, INC.**

Financial Statements

With Additional Information

For the Years Ended December 31, 2018 and 2017

**GATEWAY SERVICES, INC.**

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# Mid-America Audit & Tax, Inc.

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## Independent Auditors' Report

To the Board of Directors  
Gateway Services, Inc.  
Franklin, Indiana

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

We have audited the accompanying financial statements of Gateway Services, Inc. ("Gateway") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Gateway'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 Gateway's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## **Auditors' Responsibility (Continued)**

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Services, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 a report dated September 26, 2019, on our consideration of Gateway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gateway's internal control over financial reporting and compliance.

*Mid-America Audit & Tax, Inc.*

Mid-America Audit & Tax, Inc.  
Indianapolis, Indiana  
September 26, 2019

**GATEWAY SERVICES, INC.**

Statements of Financial Position  
As of December 31, 2018 and 2017

| <u>ASSETS</u>   | <u>2018</u>         | <u>2017</u>       |
|---|---------------------|-------------------|
| Current Assets:   |                     |                   |
| Cash and cash equivalents   | \$ 41,764           | \$ 16,535         |
| Accounts receivable - grants and contracts, net                                     | 413,440             | 353,760           |
| Other assets  | -                   | 25,396            |
| Prepaid expenses  | <u>13,078</u>       | <u>-</u>          |
| Total Current Assets  | <u>468,282</u>      | <u>395,691</u>    |
| Property and Equipment:   |                     |                   |
| Land  | 50,000              | 50,000            |
| ARRA stimulus vehicles and other,<br>net of accumulated depreciation                | 50,304              | 99,800            |
| Building, leasehold improvements, and equipment,<br>net of accumulated depreciation | <u>645,782</u>      | <u>430,066</u>    |
| Total Property and Equipment, net   | <u>746,086</u>      | <u>579,866</u>    |
| Total Assets  | <u>\$ 1,214,368</u> | <u>\$ 975,557</u> |
| <br><u>LIABILITIES AND NET ASSETS</u>   |                     |                   |
| Current Liabilities:  |                     |                   |
| Accounts payable  | \$ 374,613          | \$ 165,783        |
| Accrued wages and payroll taxes   | 57,628              | 52,443            |
| Accrued vacation and annual leave   | 89,132              | 89,411            |
| Other accrued expenses  | 31,429              | 31,368            |
| Line of credit  | 30,500              | 152,000           |
| Notes payable, current portion  | <u>26,080</u>       | <u>20,138</u>     |
| Total Current Liabilities   | <u>609,382</u>      | <u>511,143</u>    |
| Long-term Liabilities:  |                     |                   |
| Notes payable, less current portion   | <u>49,200</u>       | <u>48,569</u>     |
| Total Long-term Liabilities   | <u>49,200</u>       | <u>48,569</u>     |
| Total Liabilities   | <u>658,582</u>      | <u>559,712</u>    |
| Net Assets:   |                     |                   |
| Without donor restrictions  | 167,198             | 134,474           |
| With donor restrictions   | <u>388,588</u>      | <u>281,371</u>    |
| Total Net Assets  | <u>555,786</u>      | <u>415,845</u>    |
| Total Liabilities and Net Assets  | <u>\$ 1,214,368</u> | <u>\$ 975,557</u> |

See accompanying notes to financial statements.

**GATEWAY SERVICES, INC.**

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2018

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>2018<br/>Total</u> |
|---|---------------------------------------|------------------------------------|-----------------------|
| <b>Public Support:</b>                          |                                       |                                    |                       |
| United Way                                      | \$ 118,759                            | \$ -                               | \$ 118,759            |
| Contributions                                   | 28,226                                | -                                  | 28,226                |
| Special Events                                  | <u>52,128</u>                         | <u>-</u>                           | <u>52,128</u>         |
| <b>Total Public Support</b>                     | <u>199,113</u>                        | <u>-</u>                           | <u>199,113</u>        |
| <b>Revenue:</b>                                 |                                       |                                    |                       |
| Government agencies                             | 2,091,940                             | 236,362                            | 2,328,302             |
| Other grants                                    | 93,364                                | -                                  | 93,364                |
| Fees – client activity                          | 6,492                                 | -                                  | 6,492                 |
| Fees - transportation                           | 73,574                                | -                                  | 73,574                |
| Work crew income                                | 25,079                                | -                                  | 25,079                |
| Membership dues                                 | 698                                   | -                                  | 698                   |
| Miscellaneous                                   | 5,558                                 | -                                  | 5,558                 |
| Contract services and 3 <sup>rd</sup> party pay | 28,109                                | -                                  | 28,109                |
| Employment services                             | 1,409                                 | -                                  | 1,409                 |
| Vehicle advertisement                           | 34,988                                | -                                  | 34,988                |
| Interest Income                                 | 139                                   | -                                  | 139                   |
| Gain (loss) on sale of asset                    | <u>( 15,910)</u>                      | <u>-</u>                           | <u>( 15,910)</u>      |
| <b>Total Revenue</b>                            | <u>2,345,440</u>                      | <u>236,362</u>                     | <u>2,581,802</u>      |
| Net assets released from restrictions           | <u>129,145</u>                        | <u>( 129,145)</u>                  | <u>-</u>              |
| <b>Total Public Support and Revenue</b>         | <u>2,673,698</u>                      | <u>107,217</u>                     | <u>2,780,915</u>      |
| <b>Expenses:</b>                                |                                       |                                    |                       |
| Program services                                |                                       |                                    |                       |
| Community based                                 | 500,967                               | -                                  | 500,967               |
| Facility based                                  | 169,502                               | -                                  | 169,502               |
| School transition                               | 23,027                                | -                                  | 23,027                |
| Transportation                                  | <u>1,673,936</u>                      | <u>-</u>                           | <u>1,673,936</u>      |
| <b>Total Program services</b>                   | <u>2,367,432</u>                      | <u>-</u>                           | <u>2,367,432</u>      |
| Supporting Services:                            |                                       |                                    |                       |
| General and administrative                      | 261,510                               | -                                  | 261,510               |
| Fundraising                                     | <u>12,032</u>                         | <u>-</u>                           | <u>12,032</u>         |
| <b>Total Supporting Services</b>                | <u>273,542</u>                        | <u>-</u>                           | <u>273,542</u>        |
| <b>Total Expenses</b>                           | <u>2,640,974</u>                      | <u>-</u>                           | <u>2,640,974</u>      |
| Change in Net Assets                            | 32,724                                | 107,217                            | 139,941               |
| Net Assets, Beginning of Year                   | <u>134,474</u>                        | <u>281,371</u>                     | <u>415,845</u>        |
| <b>Net Assets, End of Year</b>                  | <u>\$ 167,198</u>                     | <u>\$ 388,588</u>                  | <u>\$ 555,786</u>     |

See accompanying notes to financial statements.

**GATEWAY SERVICES, INC.**

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2017

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>2017<br/>Total</u> |
|---|---------------------------------------|------------------------------------|-----------------------|
| <b>Public Support:</b>                          |                                       |                                    |                       |
| United Way                                      | \$ 113,491                            | \$ -                               | \$ 113,491            |
| Contributions                                   | 33,062                                | -                                  | 33,062                |
| Special Events                                  | <u>48,295</u>                         | <u>-</u>                           | <u>48,295</u>         |
| <b>Total Public Support</b>                     | <u>194,848</u>                        | <u>-</u>                           | <u>194,848</u>        |
| <b>Revenue:</b>                                 |                                       |                                    |                       |
| Government agencies                             | 2,010,222                             | 184,144                            | 2,194,366             |
| Other grants                                    | 45,103                                | -                                  | 45,103                |
| Fees -- client activity                         | 12,477                                | -                                  | 12,477                |
| Fees -- transportation                          | 75,930                                | -                                  | 75,930                |
| Work crew income                                | 33,416                                | -                                  | 33,416                |
| Interest income                                 | 47                                    | -                                  | 47                    |
| Membership dues                                 | 1,016                                 | -                                  | 1,016                 |
| Miscellaneous                                   | 4,187                                 | -                                  | 4,187                 |
| Lease income and management fees                | 1,250                                 | -                                  | 1,250                 |
| Contract services and 3 <sup>rd</sup> party pay | 45,790                                | -                                  | 45,790                |
| Employment services                             | 4,200                                 | -                                  | 4,200                 |
| Vehicle advertisement                           | 48,748                                | -                                  | 48,748                |
| Gain (loss) on sale of asset                    | <u>( 6,742)</u>                       | <u>-</u>                           | <u>( 6,742)</u>       |
| <b>Total Revenue</b>                            | <u>2,275,644</u>                      | <u>184,144</u>                     | <u>2,459,788</u>      |
| Net-assets released from restrictions           | <u>34,461</u>                         | <u>( 34,461)</u>                   | <u>-</u>              |
| <b>Total Public Support and Revenue</b>         | <u>2,504,953</u>                      | <u>149,683</u>                     | <u>2,654,636</u>      |
| <b>Expenses:</b>                                |                                       |                                    |                       |
| Program services                                |                                       |                                    |                       |
| Community based                                 | 482,891                               | -                                  | 482,891               |
| Facility based                                  | 155,638                               | -                                  | 155,638               |
| School transition                               | 20,340                                | -                                  | 20,340                |
| Transportation                                  | <u>1,500,962</u>                      | <u>-</u>                           | <u>1,500,960</u>      |
| <b>Total Program services</b>                   | <u>2,159,831</u>                      | <u>-</u>                           | <u>2,159,831</u>      |
| Supporting Services:                            |                                       |                                    |                       |
| General and administrative                      | 272,221                               | -                                  | 272,221               |
| Fundraising                                     | <u>12,724</u>                         | <u>-</u>                           | <u>12,274</u>         |
| <b>Total Supporting Services</b>                | 284,945                               | -                                  | 284,945               |
| <b>Total Expenses</b>                           | <u>2,444,776</u>                      | <u>-</u>                           | <u>2,444,776</u>      |
| Change in Net Assets                            | 60,177                                | 149,683                            | 209,860               |
| Net Assets, Beginning of Year                   | <u>74,297</u>                         | <u>131,688</u>                     | <u>205,985</u>        |
| <b>Net Assets, End of Year</b>                  | <u>\$ 134,474</u>                     | <u>\$ 281,371</u>                  | <u>\$ 415,845</u>     |

See accompanying notes to financial statements.

**GATEWAY SERVICES, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2018

|                                      | <u>Community<br/>Based</u> | <u>Facility<br/>Based</u> | <u>School<br/>Transition</u> | <u>Trans-<br/>portation</u> | <u>Total Program<br/>Expenses</u> | <u>General &amp;<br/>Administrative</u> | <u>Fund<br/>Raising</u> | <u>Total Supporting<br/>Services</u> | <u>Total</u>              |
|--------------------------------------|----------------------------|---------------------------|------------------------------|-----------------------------|-----------------------------------|---|-------------------------|--------------------------------------|---------------------------|
| Personnel                            | \$455,441                  | \$148,539                 | \$20,021                     | \$ 843,735                  | \$1,467,736                       | \$ 153,879                              | \$ -                    | \$ 153,879                           | \$1,621,615               |
| Occupancy                            | 1,901                      | 5,391                     | 581                          | 11,966                      | 19,839                            | 14,824                                  | -                       | 14,824                               | 34,663                    |
| Office                               | 7,781                      | 1,270                     | 97                           | 36,881                      | 46,029                            | 34,077                                  | -                       | 34,077                               | 80,106                    |
| Insurance                            | -                          | -                         | -                            | 142                         | 142                               | 11,146                                  | -                       | 11,146                               | 11,288                    |
| Travel and staff<br>development      | 16,503                     | 231                       | 570                          | 2,679                       | 19,983                            | 814                                     | -                       | 814                                  | 20,797                    |
| Professional fees<br>and memberships | 4,289                      | 1,155                     | -                            | 16,315                      | 21,759                            | 24,178                                  | -                       | 24,178                               | 45,937                    |
| Client services                      | 682                        | 4,456                     | 435                          | -                           | 5,573                             | -                                       | -                       | -                                    | 5,573                     |
| Transportation                       | -                          | -                         | -                            | 601,352                     | 601,352                           | -                                       | -                       | -                                    | 601,352                   |
| Sub-contracting                      | 4,228                      | 462                       | 106                          | 148,393                     | 153,189                           | 275                                     | -                       | 275                                  | 153,464                   |
| Public awareness                     | -                          | -                         | 293                          | 135                         | 428                               | 6,276                                   | 12,032                  | 18,308                               | 18,736                    |
| Interest                             | -                          | -                         | -                            | 3,783                       | 3,783                             | 16,041                                  | -                       | 16,041                               | 19,824                    |
| Other                                | 850                        | -                         | -                            | -                           | 850                               | -                                       | -                       | -                                    | 850                       |
| Bad debts                            | <u>9,292</u>               | <u>7,998</u>              | <u>924</u>                   | <u>8,555</u>                | <u>26,769</u>                     | <u>-</u>                                | <u>-</u>                | <u>-</u>                             | <u>26,769</u>             |
| <b>Total</b>                         | <b><u>\$500,967</u></b>    | <b><u>\$169,502</u></b>   | <b><u>\$23,027</u></b>       | <b><u>\$1,673,936</u></b>   | <b><u>\$2,367,432</u></b>         | <b><u>\$ 261,510</u></b>                | <b><u>\$ 12,032</u></b> | <b><u>\$ 273,542</u></b>             | <b><u>\$2,640,974</u></b> |

See accompanying notes to financial statements.

**GATEWAY SERVICES, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2017

|                                      | <u>Community<br/>Based</u> | <u>Facility<br/>Based</u> | <u>School<br/>Transition</u> | <u>Trans-<br/>portation</u> | <u>Total Program<br/>Expenses</u> | <u>General &amp;<br/>Administrative</u> | <u>Fund<br/>Raising</u> | <u>Total Supporting<br/>Services</u> | <u>Total</u>              |
|--------------------------------------|----------------------------|---------------------------|------------------------------|-----------------------------|-----------------------------------|---|-------------------------|--------------------------------------|---------------------------|
| Personnel                            | \$436,527                  | \$136,218                 | \$15,280                     | \$ 823,627                  | \$1,411,652                       | \$ 159,016                              | \$ -                    | \$ 159,016                           | \$1,570,668               |
| Occupancy                            | 1,648                      | 5,590                     | 442                          | 10,695                      | 18,375                            | 12,055                                  | -                       | 12,055                               | 30,430                    |
| Office                               | 3,692                      | 1,534                     | 556                          | 36,689                      | 42,471                            | 27,149                                  | -                       | 27,149                               | 69,620                    |
| Insurance                            | -                          | -                         | -                            | 1,548                       | 1,548                             | 17,520                                  | -                       | 17,520                               | 19,068                    |
| Travel and staff<br>development      | 14,106                     | 213                       | 346                          | 4,900                       | 19,565                            | 1,095                                   | -                       | 1,095                                | 20,660                    |
| Professional fees<br>and memberships | 3,281                      | 566                       | 454                          | 15,739                      | 20,040                            | 24,489                                  | -                       | 24,489                               | 44,529                    |
| Client services                      | 215                        | 3,787                     | 697                          | -                           | 4,699                             | -                                       | -                       | -                                    | 4,699                     |
| Transportation                       | -                          | -                         | -                            | 455,764                     | 455,764                           | -                                       | -                       | -                                    | 455,764                   |
| Sub-contracting                      | 3,789                      | 418                       | 89                           | 141,404                     | 145,700                           | 301                                     | -                       | 301                                  | 146,001                   |
| Public awareness                     | 28                         | -                         | -                            | 166                         | 194                               | 1,185                                   | 12,724                  | 13,909                               | 14,103                    |
| Interest                             | -                          | -                         | -                            | 2,389                       | 2,389                             | 18,639                                  | -                       | 18,639                               | 21,028                    |
| Other                                | 794                        | -                         | -                            | -                           | 794                               | 772                                     | -                       | 772                                  | 1,566                     |
| Bad debts                            | 18,811                     | 7,312                     | 2,476                        | 8,041                       | 36,640                            | 10,000                                  | -                       | 10,000                               | 46,640                    |
| <b>Total</b>                         | <b><u>\$482,891</u></b>    | <b><u>\$155,638</u></b>   | <b><u>\$20,340</u></b>       | <b><u>\$1,500,962</u></b>   | <b><u>\$2,159,831</u></b>         | <b><u>\$ 272,221</u></b>                | <b><u>\$ 12,724</u></b> | <b><u>\$ 284,945</u></b>             | <b><u>\$2,444,776</u></b> |

See accompanying notes to financial statements.

**GATEWAY SERVICES, INC.**

Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities:   |                   |                   |
| Change in net assets  | \$ 139,941        | \$ 209,860        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation  | 174,291           | 132,762           |
| (Gain) loss on sale of assets   | 15,910            | 6,742             |
| (Increase) decrease in:   |                   |                   |
| Accounts receivable - grants and contracts  | ( 59,680)         | ( 72,851)         |
| Other assets  | 25,396            | ( 9,700)          |
| Prepaid expenses  | ( 13,078)         | 3,180             |
| Increase (decrease) in:   |                   |                   |
| Accounts payable  | 208,830           | 27,196            |
| Accrued wages and payroll taxes   | 5,185             | ( 1,751)          |
| Accrued vacation and annual leave   | ( 279)            | 11,814            |
| Other accrued expenses  | 61                | 5,670             |
| Net cash provided by (used in) operating activities   | <u>496,577</u>    | <u>312,922</u>    |
| Cash flows from investing activities:   |                   |                   |
| Proceeds from sale of assets  | 5,300             | 6,000             |
| Purchase of equipment   | ( 361,721)        | ( 273,823)        |
| Net cash provided by (used in) investing activities   | <u>( 356,421)</u> | <u>( 267,823)</u> |
| Cash flows from financing activities:   |                   |                   |
| Principal payments on long-term debt  | ( 22,517)         | ( 14,646)         |
| Proceeds from long-term debt  | 29,090            | 57,000            |
| Proceeds from line of credit  | 1,151,600         | 957,000           |
| Repayment on line of credit   | ( 1,273,100)      | ( 1,066,480)      |
| Net cash provided by (used in) financing activities   | <u>( 114,927)</u> | <u>( 67,126)</u>  |
| Net increase (decrease) in cash and cash equivalents  | 25,229            | ( 22,027)         |
| Cash and cash equivalents, beginning of year  | <u>16,535</u>     | <u>38,562</u>     |
| Cash and cash equivalents, end of year  | <u>\$ 41,764</u>  | <u>\$ 16,535</u>  |
| Supplementary disclosures of cash flow information:   |                   |                   |
| Cash paid for interest  | <u>\$ 19,824</u>  | <u>\$ 21,027</u>  |

See accompanying notes to financial statements.

## GATEWAY SERVICES, INC.

Notes to Financial Statements  
Years Ended December 31, 2018 and 2017

### NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of the Organization

Gateway Services, Inc. (the "Organization") was incorporated as an Indiana Not-for-Profit Corporation and was organized exclusively to provide charitable and educational programs to persons living in Johnson County and surrounding counties. The Organization is committed to a future without limits: build community – create opportunity – expect success – change lives. In carrying out its mission, the Organization relies on government funding. The Indiana Division of Disability, Aging, and Rehabilitative Services and The Indiana Department of Transportation (INDOT) provide a significant amount of the total support and revenue to the Organization.

The Organization also assists two contiguous counties (Brown and Shelby counties) in their efforts to provide transportation service to its county residents. These services involve consultation and oversight for certain activities. This arrangement is considered purchased services by INDOT.

In October 2017, the Organization changed its business name to Gateway Services, Inc. from Johnson County Association for Retarded Citizens, Inc.

#### Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board under Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets – without donor restrictions and with donor restrictions.

#### Use of Estimates

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

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in assets with donor restrictions. When a restriction expires, 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.

**Revenue Recognition and Concentration**

The Organization contracts with various State and Federal agencies to provide a wide variety of rehabilitation services to persons with developmental disabilities. The Organization vouchers the governmental agencies monthly and quarterly, based on current activity and the original amount of the grant. Revenue is recognized as services are performed. However, final determination may vary because of regulations pertaining to disbursements. Differences in estimated amounts and actual settlements are reflected as charges or credits upon settlement or payment. :

Non-governmental contract revenue is recorded at established charges when the service is rendered.

**Allowance for Uncollectible Accounts**

The Organization uses the allowance method for recognition of bad debt expense. The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectibility of various types of receivables including billing and payment timetables and historical loss experience for each funding source. No interest is charged on receivables. Receivables are continually reviewed and are written-off when all reasonable possibility of collection or rebilling (which varies by source) has been exhausted. Management has determined that an allowance of \$30,000 relating to accounts receivable is necessary for the years ended December 31, 2018 and 2017, respectively.

**Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all liquid investments with original maturity dates of three months or less to be cash equivalents.

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the benefiting programs and supporting services. The Statement of Functional Expenses represents direct costs for each activity. Indirect costs are allocated to each program area according to an allocation formula previously approved by the major funding entities (Indiana Department of Transportation and Indiana Family and Social Services Administration) to determine total cost of each service.

**Tax Exemption**

Gateway Services, Inc. has been ruled exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation by the Internal Revenue Service.

**Recent Issued Accounting Pronouncements**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the stated purpose of improving financial reporting by not-for-profit entities (NFP). Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare reconciliation in the statement of cash flows when applying the direct method. NFPs will be required to provide qualitative as well as quantitative information on the way they manage their liquidity and availability of funds. The provisions of the new standard are effective for annual reporting periods beginning after December 15, 2017. Effective January 1, 2018, the Organization adopted the new standards and has applied the standards to all periods presented.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (FASB ASC 606), which implements a common revenue standard and clarifies the principles used for recognizing revenue in the financial statements and related disclosures. Under FASB ASC 606, to recognize revenues, organizations need to identify contracts with customers, identify the performance obligations in the contracts, determine the transaction price, allocate the transaction price to the performance obligations in the contracts, and recognize revenue as performance obligations are satisfied. In understanding how revenue is earned, the Organization needs to consider how the five steps of the revenue model in FASB ASC 606 might apply to each of its revenue streams. FASB ASC 606 is effective for years beginning after December 15, 2018.

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Issued Accounting Pronouncements (Continued)**

On June 21, 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify existing guidance on revenue recognition of grants and contracts. The ASU provides guidance for evaluating whether a transaction should be accounted for as a contribution or an exchange transaction; based on whether a resource provider is receiving corresponding value in return for the resources transferred. The ASU is effective for annual periods beginning after December 15, 2018, with early adoption permitted.

In February 2016, the FASB issued ASU 2016-02, *Leases (FASB ASC 842)*, which requires the recognition of lease assets and lease liabilities for operating leases on the balance sheet of lessees, and the disclosure of key information about leasing arrangements. FASB ASC 842 is effective for fiscal years beginning after December 15, 2020. Early application is permitted.

Management is assessing the impact that these recently issued accounting pronouncements will have on recordkeeping, the financial statements and related disclosures.

**Reclassifications**

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements following the Organization's adoption on ASU 2016-14 – *Presentation of Financial Statements for Not-for-Profits* that became effective for fiscal periods beginning after December 15, 2017.

As a result, certain lines items have been amended in the Statement of Financial Position. Comparative figures have been adjusted to the current year's presentation.

Unrestricted net assets, end of year amounting to \$134,474 as of December 31, 2017 were reclassified to net assets without donor restrictions, end of year. Temporarily restricted net assets, end of year as of December 31, 2017, amounting to \$281,371 were reclassified to net assets with donor restrictions, end of year. Unrestricted net assets, beginning of year amounting to \$74,297 as of January 1, 2017 were reclassified to net assets without donor restrictions, beginning of year. Temporarily restricted net assets, beginning of year as of January 1, 2017, amounting to \$131,688 were reclassified to net assets with donor restrictions, beginning of year.

**NOTE 2 – PROPERTY AND EQUIPMENT ACCOUNTING METHODS**

Property and equipment are stated at cost, or for donations, at fair market value at the date of donation, and include expenditures for new additions and repairs, which substantially increase the useful lives of existing property and equipment. Governmental units funding property and equipment through grants retain a security interest over various periods. Property and equipment received through ARRA Stimulus grants are titled under the grantee.

## **NOTE 2 – PROPERTY AND EQUIPMENT ACCOUNTING METHODS (Continued)**

Depreciation is computed using the straight-line method over estimated useful lives of three to forty years. The Organization's policy dictates that expenditures relating to property, equipment and vehicles exceeding \$500 (not including labor) are depreciated as fixed assets, including repairs which increase the value or extend the useful life of the asset.

Donations of property and equipment are reported as increases in net assets without donor restrictions 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 contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time, with the exception of Section 5310 Grant vehicles which are placed into service immediately and reclassified when the useful life criteria are met and INDOT releases the title.

The land at 3500 North Morton, Franklin, IN on which the Organization's current building site was purchased with grant funds (plus local match). The Organization has in the past been advised by the service division granting those funds (Indiana Vocational Rehabilitation Services) that use of the land is restricted to purposes compatible with the intent of the grant and if sold, a proportionate amount of the proceeds must be given back. The restrictions within the grant were fulfilled in a prior year.

## **NOTE 3 – CONCENTRATIONS OF CREDIT RISKS**

The Organization is located in Franklin, Indiana. The Organization provides services to individuals and companies which are billed in arrears at least monthly. Public transit funding is billed on a quarterly basis. The majority of individual services are provided under grant contracts or provider agreements with state agencies. Companies are provided credit in the normal course of business without collateral.

The Organization maintains deposits in federally insured financial institutions. At times these deposits exceed federally insured limits; however, management monitors the soundness of these financial institutions and feels the Organization's risk is negligible.

#### **NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes as of December 31, 2018 and 2017:

|                        | <u>2018</u>       | <u>2017</u>       |
|------------------------|-------------------|-------------------|
| Transportation Program | \$ 388,588        | \$ 281,371        |
| Total                  | <u>\$ 388,588</u> | <u>\$ 281,371</u> |

Net assets released from restriction amounted to \$129,145 and \$34,461 for the years ending December 31, 2018 and 2017, respectively and related to the fulfillment of transportation grant restrictions.

#### **NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2018 and 2017:

|                                  | <u>2018</u>         | <u>2017</u>         |
|----------------------------------|---------------------|---------------------|
| Buildings:                       |                     |                     |
| Gateway center                   | \$ 828,851          | \$ 828,851          |
| Equipment:                       |                     |                     |
| Maintenance                      | 5,372               | 5,640               |
| Office                           | 124,430             | 129,671             |
| Conversion grant                 | 10,782              | 10,782              |
| Transportation                   | 1,209,268           | 1,015,022           |
| Work center                      | 16,392              | 16,392              |
| Supported employment             | 6,622               | 17,924              |
| Work crew                        | 7,181               | 7,181               |
| School transition                | 16,064              | 17,272              |
| Targeted case management         | 1,863               | 2,601               |
| ARRA stimulus vehicles and other | <u>866,790</u>      | <u>1,068,312</u>    |
| Total cost                       | 3,093,615           | 3,119,648           |
| Less accumulated depreciation    | <u>( 2,397,529)</u> | <u>( 2,589,782)</u> |
| Net book value                   | <u>\$ 696,086</u>   | <u>\$ 529,866</u>   |

Depreciation expense was \$174,291 and \$132,762 for the years ended December 31, 2018 and 2017, respectively.

#### **NOTE 6 – ADVERTISING AND COMMUNITY AWARENESS**

The Organization uses advertising and community awareness activities to promote its programs and mission among the audiences it serves and the community. The production costs of advertising are expensed as incurred. During the years ended December 31, 2018 and 2017, direct advertising and community awareness costs totaled \$5,443 and \$1,187, respectively.

## NOTE 7 – LINE OF CREDIT

On October 31, 2018 and November 2, 2017, the Organization renewed its banking line of credit arrangement for working capital (negotiated on May 2, 2012). The renewed arrangement provided for short-term borrowings of amounts not to exceed \$550,000. Borrowings under the line of credit arrangements are secured by all business assets. The interest rate on this borrowing is the Wall Street Journal prime plus 1.50 percent (5.50 % at December 31, 2018). Outstanding borrowings under this line of credit at December 31, 2018 and 2017 were \$30,500 and \$152,000, respectively.

## NOTE 8 – NOTES PAYABLE

Notes payable consist of the following:

|  | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|
| Term note payable, due May 26, 2018, interest rate 5%, monthly payment, unsecured      | \$ -             | \$ 908           |
| Term note payable, due May 26, 2018, interest rate 5%, monthly payment, unsecured      | -                | 908              |
| Term note payable, due November 15, 2020, interest rate 5%, monthly payment, unsecured | 10,072           | 14,973           |
| Term note payable, due April 13, 2021, interest rate 5%, monthly payment, unsecured    | 16,410           | 22,873           |
| Term note payable, due November 2, 2021, interest rate 5%, monthly payment, unsecured  | 22,087           | 29,045           |
| Term note payable, due July 25, 2022, interest rate 5.75%, monthly payment, unsecured  | <u>26,711</u>    | <u>-</u>         |
|  | 75,280           | 68,707           |
| Less current maturities  | <u>( 26,080)</u> | <u>( 20,138)</u> |
|  | <u>\$ 49,200</u> | <u>\$ 48,569</u> |

Maturities of the notes payable are as follows:

|                               |                  |
|-------------------------------|------------------|
| Year ending December 31, 2019 | \$ 26,080        |
| 2020                          | 26,986           |
| 2021                          | 17,189           |
| 2022                          | 5,025            |
| Thereafter                    | <u>-</u>         |
|                               | <u>\$ 75,280</u> |

## **NOTE 9 – INCOME TAXES**

The Organization has adopted the provisions of FASB ASC 740-10 (FASB Interpretation No. 48), *Accounting for Income Taxes*, effective January 1, 2009. The Organization does not believe it has any unrecognized tax benefits or tax liabilities (tax positions) for either Federal or State taxing authorities that require disclosure in accordance with FASB ASC 740-10. The Organization continually monitors and evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, as determined relative to the Organization's operations. The Organization's management believes it is no longer subject to income tax examinations prior to 2015.

## **NOTE 10 – AMERICAN RECOVERY AND REINVESTMENT ACT**

The American Recovery and Reinvestment Act of 2009 ("ARRA") requires federal awards recipients to separately report expenditures of ARRA funds. There were no ARRA funds received or expended during the years ended December 31, 2018 and 2017. MAAT notes that the Organization disposed of 4 transportation vehicles and various equipment, during 2018, with a total cost of \$199,135, that were purchased in prior years, utilizing ARRA funds. The Organization disposed of three transportation vehicles and various equipment, during 2017, with a total cost of \$150,407, that were purchased in prior years, utilizing ARRA funds. These vehicles and equipment were fully depreciated at the time of disposal.

## **NOTE 11 – UNRELATED BUSINESS INCOME TAX**

In 2018 and 2017, the Organization sold advertising space on their transportation vehicles to outside vendors. The total gross revenues received from these transactions were \$34,988 and \$48,748 for the years ended December 31, 2018 and 2017, respectively. Federal and State income taxes paid, including penalties and interest, amounted to \$ -0- for the years ending December 31, 2018 and 2017, respectively. A refund of approximately \$1,174 was received during 2017, relating to an amended 990T filed for 2013. The Organization does not believe this has any impact on its tax exempt status.

## **NOTE 12 – PASS THROUGH TRANSACTIONS**

Included in the cash balance, as of December 31, 2018 and 2017, is \$9,013 and \$17,885, respectively, of funds that are the property of the United Way of Johnson County, under the No Place to Call Home Coordination Program. Under this program, the Organization is acting as a fiscal manager, whereby they receive funds from United Way and then, based on authorized requests from other social service agencies, pay out the funds to eligible families receiving financial assistance. The Organization has recorded a corresponding liability in Accounts Payable as of December 31, 2018 and 2017. For their fiscal management, the Organization receives a 10% administrative fee of the total amount of dollars administered, deducted from the monthly check received. For the years ending December 31, 2018 and 2017, the fees amounted to approximately \$8,220 and \$7,234, respectively.

**NOTE 13 – ENDOWMENT FUNDS**

Effective December 1, 2017, the Organization received an advised endowment fund through a transfer to the newly created Gateway Services of Johnson County Fund at the Johnson County Community Foundation. The original transfer amounted to \$6,654. Only the allocable income from the Fund may be expended by the Organization and not the principal. If the principal balance falls below a \$10,000 required amount, then the Organization may expend the principal. The balance at December 31, 2018 was \$21,372. There was no spendable balance at December 31, 2018.

**NOTE 14 – AVAILABLE RESOURCES AND LIQUIDITY**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and lines of credit. See Note 7 for information on the Organization's line of credit.

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or board-designated reserves. As of December 31, 2018, all net assets with donor restrictions are non-financial non liquid assets and are not included in the liquidity calculation.

Financial assets at year-end:

|   |                   |
|---|-------------------|
| Cash and cash equivalents   | \$ 41,764         |
| Accounts receivable, net  | <u>413,440</u>    |
| Total financial assets  | <u>455,204</u>    |
| Financial assets available to meet cash needs for<br>general expenditures within one year | <u>\$ 455,204</u> |

**NOTE 15 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through September 26, 2019, the date that the financial statements were available to be issued.

**GATEWAY SERVICES, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018

| <u>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</u>                        | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Entity<br/>Identifying<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|---|------------------------------------|---|---------------------------------|
| <b><u>U.S. Department of Education Programs</u></b>   |                                    |   |                                 |
| Pass-through programs from Indiana Division of<br>Disability, Aging and Rehabilitative Services |                                    |   |                                 |
| Vocational Rehabilitation Program   | 84.126A                            |   | \$ <u>142,775</u>               |
| Total U.S. Department of Education Programs   |                                    |   | <u>142,775</u>                  |
| <b><u>U.S. Department of Transportation Programs</u></b>  |                                    |   |                                 |
| Pass-through programs from Indiana Department<br>of Transportation                              |                                    |   |                                 |
| Formula Grants program for Rural Areas  | 20.509                             | 8121  | 812,828                         |
| Enhanced Mobility of Seniors and<br>Individuals with Disabilities Program                       | 20.513                             |   | <u>116,362</u>                  |
| Total Indiana Department of Transportation Programs   |                                    |   | <u>929,190</u>                  |
| Pass-through programs from Indiana Public<br>Transit Corporation                                |                                    |   |                                 |
| Enhanced Mobility of Seniors and<br>Individuals with Disabilities Program                       | 20.513                             |   | <u>120,000</u>                  |
| Total Indiana Public Transit Corporation Programs   |                                    |   | <u>120,000</u>                  |
| Total U.S. Department of Transportation   |                                    |   | <u>1,049,190</u>                |
| <b>Total Expenditures of Federal Awards</b>   |                                    |   | <b>\$ <u>1,191,965</u></b>      |

See accompanying notes to schedule of expenditures of federal awards.

**GATEWAY SERVICES, INC.**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Gateway Services, Inc., under programs of the federal government for the year ended December 31, 2018. 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 Gateway Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Gateway Services, Inc.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Gateway Services, Inc. has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance, but used an Indiana Department of Transportation approved indirect cost rate.

**NOTE 3 – PASS-THROUGH IDENTIFYING NUMBERS**

Some pass-through entities were unable to provide an identifying number, except for the identifying numbers as presented in the 2018 Schedule of Expenditures of Federal Awards.

See independent auditors' report.

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# Mid-America Audit & Tax, Inc.

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

To the Board of Directors  
Gateway Services, Inc.  
Indianapolis, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Gateway Services, Inc. ("Gateway") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 26, 2019.

## Internal Control Over Financial Reporting

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

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

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

In addition, we noted other administrative matters or issues that we have communicated to management in a separate letter dated September 26, 2019.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Mid-America Audit & Tax, Inc.*

Mid-America Audit & Tax, Inc.  
Indianapolis, Indiana  
September 26, 2019

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# Mid-America Audit & Tax, Inc.

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

To the Board of Directors  
Gateway Services, Inc.  
Indianapolis, Indiana

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

We have audited Gateway Services, Inc.'s ("Gateway") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of Gateway's major federal programs for the year ended December 31, 2018. Gateway's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

## Opinion on each Major Federal Program

In our opinion, Gateway Services, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

## Report on Internal Control over Compliance

Management of Gateway 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 Gateway'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 Gateway's internal control over compliance.

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

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

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

*Mid-America Audit & Tax, Inc.*

Mid-America Audit & Tax, Inc.  
Indianapolis, Indiana  
September 26, 2019

**GATEWAY SERVICES, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2018**

**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

|  |               |
|--|---------------|
| Type of auditors' report issued  | Unmodified    |
| Internal control over financial reporting:<br>Material weaknesses identified | None reported |
| Significant deficiencies identified  | None reported |
| Noncompliance material to financial statements noted?                        | No            |

**Federal Awards**

|   |               |
|---|---------------|
| Internal control over major programs:<br>Material weaknesses identified | None reported |
| Significant deficiencies identified                                     | None reported |

|  |            |
|--|------------|
| Type of auditors' report issued on compliance for major program: | Unmodified |
|--|------------|

Programs tested as major programs were:  
Formula Grants for Rural Areas 20.509  
Enhanced Mobility of Seniors and Individuals with Disabilities Grant 20.513

|   |            |
|---|------------|
| Dollar threshold used to distinguish between type A and<br>type B programs: | \$ 750,000 |
|---|------------|

|                                       |     |
|---------------------------------------|-----|
| Auditee qualified as low-risk auditee | Yes |
|---------------------------------------|-----|

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

No matters were reported.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No matters were reported.

**GATEWAY SERVICES, INC.**

**PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2018**

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Department of Transportation**

**FINDING 2017-001: Public Transit Grant, 20.513**

**Condition:** Internal controls should be in place to provide assurance that debt is properly recorded into the general ledger.

**Recommendations:** The Organization should institute a set of procedures to track debt and reconcile bank loan statements to the general ledger, quarterly or monthly. In addition, separate sub-accounts should be created, for each loan to include the loan transaction process.

**Current Status:** The recommendation was adopted September 2018. No similar findings were noted in the 2018 audit.

**Views of Responsible Officials and Planned Corrective Actions** – The Organization agrees with the finding and immediately instituted a procedure that will track vehicle grants from 1) the time the grant is awarded through 2) the loan processing by the bank 3) the process of the vehicle match paid to the vendor, 4) the loan amount, date, payment amount and due date, 5) the entries necessary to record the loan payable into the accounting system and 6) upon receipt of the vehicle, the entries necessary to record the vehicle into fixed assets. The form will be signed or initialed by the Executive Director and Accounting Specialist and will be filed with supporting documentation.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No prior year findings and questioned costs relating to major federal award programs.

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# Mid-America Audit & Tax, Inc.

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## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors  
Gateway Services, Inc.  
Franklin, Indiana

We have audited the financial statements of Gateway Services, Inc., as of and for the year ended December 31, 2018, and have issued our report thereon dated September 26, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Government Financial Assistance on page 28 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mid-America Audit & Tax, Inc.*

Mid-America Audit & Tax, Inc.  
Indianapolis, Indiana  
September 26, 2019

**GATEWAY SERVICES, INC.**

**SCHEDULE OF GOVERNMENT FINANCIAL ASSISTANCE  
Years Ended December 31, 2018 and 2017**

2018

| <u>Government Grantor/Program Title</u>   | <u>Grant Period</u> | <u>Expenditures</u> |
|---|---------------------|---------------------|
| DDR – State Line Item                     | Continuous          | \$ 9,924            |
| DDARS – Medicaid Waiver                   | Continuous          | 525,611             |
| Vocational Rehabilitation                 | Continuous          | 181,417             |
| Vocational Rehabilitation - Establishment | 04/01/17-03/31/19   | 43,166              |
| DOT – Operating Grant                     | 01/01/18-06/30/19   | 1,136,676           |
| DOT – Capital Grant                       | 01/01/18-12/31/18   | 116,362             |
| IPTC – Capital Grant                      | 01/01/18-12/31/18   | 120,000             |
| Johnson County Funding                    | 01/01/18-12/31/18   | 180,000             |
| Local Governments                         | 01/01/18-12/31/18   | 49,438              |
| Total                                     |                     | <u>\$ 2,362,594</u> |

2017

| <u>Government Grantor/Program Title</u>   | <u>Grant Period</u> | <u>Expenditures</u> |
|---|---------------------|---------------------|
| DDR – State Line Item                     | Continuous          | \$ 7,443            |
| DDARS – Medicaid Waiver                   | Continuous          | 474,458             |
| Vocational Rehabilitation                 | 07/01/08-12/31/17   | 173,173             |
| Vocational Rehabilitation - Establishment | 04/01/17-03/31/19   | 30,577              |
| DOT – Operating Grant                     | 01/01/17-12/31/17   | 1,096,727           |
| DOT – Capital Grant                       | 01/01/17-12/31/17   | 102,550             |
| IPTC – Capital Grant                      | 01/01/17-12/31/17   | 80,000              |
| Johnson County Funding                    | 01/01/17-12/31/17   | 180,000             |
| Local Governments                         | 01/01/17-12/31/17   | 49,438              |
| Total                                     |                     | <u>\$ 2,194,366</u> |

See independent auditors' report on additional information.