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June 29, 2021

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

We have reviewed the audit report of Life Treatment Centers, Inc., which was opined upon by Kruggel, Lawton & Company LLC, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Life Treatment Centers, Inc. as of June 30, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings included in the report on pages 24-26. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 28-29.

In our opinion, Kruggel, Lawton & Company LLC 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



ANNUAL REPORT
June 30, 2020

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

ANNUAL REPORT

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Life Treatment Centers, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life Treatment Centers, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, on our consideration of Life Treatment Centers, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Life Treatment Centers, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana
January 8, 2021

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	949,062	609,284
Certificates of deposit	528,371	261,912
Grants receivable	313,924	228,573
Employee advance	1,800	2,450
Prepaid expense	20,447	30,590
Investments	891,589	654,458
Total Current Assets	2,705,193	1,787,267
PROPERTY AND EQUIPMENT		
Land	174,035	174,035
Buildings and building improvements	1,447,301	1,439,789
Furniture and equipment	214,305	192,779
Vehicles	54,146	54,146
Total	1,889,787	1,860,749
Accumulated depreciation	1,351,702	1,336,314
Net Property and Equipment	538,085	524,435
OTHER ASSETS		
Certificates of deposit	0	250,000
TOTAL ASSETS	3,243,278	2,561,702
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of capital lease	6,019	876
Accounts payable	11,954	21,341
Accrued salaries, wages and benefits	143,577	79,803
Other accrued expenses	0	476
Total Current Liabilities	161,550	102,496
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	17,760	0
Note payable - bank	304,000	0
Total Long-term Liabilities	321,760	0
TOTAL LIABILITIES	483,310	102,496
NET ASSETS		
Without donor restriction	2,759,968	2,459,206
Total Net Assets	2,759,968	2,459,206
TOTAL LIABILITIES AND NET ASSETS	3,243,278	2,561,702

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

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2020 and 2019

	2020			2019		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restriction</u>			<u>Restriction</u>		
PUBLIC SUPPORT AND REVENUE						
Federal grant revenue	1,430,709	0	1,430,709	1,394,613	0	1,394,613
Federal non-cash assistance	115,736	0	115,736	0	0	0
Federal contract revenue	390,470	0	390,470	339,210	0	339,210
State grant revenue	131,915	0	131,915	140,396	0	140,396
State contract revenue	279,650	0	279,650	326,652	0	326,652
Other grants and contributions	44,103	0	44,103	17,595	0	17,595
Program service fees	129,358	0	129,358	130,903	0	130,903
Net realized gain	0	0	0	8,970	0	8,970
Net unrealized loss	(30,715)	0	(30,715)	(2,262)	0	(2,262)
Interest income	33,009	0	33,009	20,011	0	20,011
Rent revenue	24,000	0	24,000	20,000	0	20,000
Miscellaneous revenue	12,014	0	12,014	13,874	0	13,874
Fundraising event revenue	9,360	0	9,360	35,925	0	35,925
Less: costs of direct benefits to donors	(4,047)	0	(4,047)	(4,093)	0	(4,093)
Net revenues from special events	5,313	0	5,313	31,832	0	31,832
Total	2,565,562	0	2,565,562	2,441,794	0	2,441,794
EXPENSES						
Program:						
Residential and treatment services	1,730,872	0	1,730,872	1,592,365	0	1,592,365
Management and general	505,686	0	505,686	514,144	0	514,144
Fundraising	28,242	0	28,242	50,410	0	50,410
Total	2,264,800	0	2,264,800	2,156,919	0	2,156,919
CHANGE IN NET ASSETS	300,762	0	300,762	284,875	0	284,875
NET ASSETS AT BEGINNING OF YEAR	2,459,206	0	2,459,206	2,174,331	0	2,174,331
NET ASSETS AT END OF YEAR	2,759,968	0	2,759,968	2,459,206	0	2,459,206

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

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Residential and treatment services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	1,021,185	251,550	3,317	1,276,052
Payroll taxes	65,602	17,351	229	83,182
Benefits	169,125	44,731	590	214,446
Insurance	45,717	12,049	0	57,766
Repairs and maintenance	65,519	9,359	0	74,878
Utilities	62,136	8,876	0	71,012
Telephone	8,207	1,173	0	9,380
Auto	21,514	0	0	21,514
Office supplies	0	7,963	0	7,963
Dues and subscriptions	0	260	0	260
Professional fees	3,906	31,865	0	35,771
Printing and postage	0	9,292	0	9,292
Contract fees	0	28,181	0	28,181
Information technology	0	54,964	0	54,964
Food	169,061	0	0	169,061
Supplies	12,677	0	0	12,677
Medical supplies	1,188	0	0	1,188
Depreciation	45,912	5,665	0	51,577
Drug screening	2,596	0	0	2,596
Staff training	3,589	0	0	3,589
Interest	0	1,479	0	1,479
Security	32,938	0	0	32,938
Bank fees	0	997	0	997
Advertising expense	0	0	24,100	24,100
Other costs	0	19,931	0	19,931
Fundraising expense	0	0	4,053	4,053
Total Expenses	1,730,872	505,686	32,289	2,268,847
Less direct donor benefits netted in revenue	0	0	(4,047)	(4,047)
TOTAL FUNCTIONAL EXPENSES	1,730,872	505,686	28,242	2,264,800

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

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

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

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

LIFE TREATMENT CENTERS, INC.South Bend, Indiana

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	300,762	284,875
Adjustments to reconcile changes in net assets to net cash from (used in) operating activities		
Depreciation	51,577	55,755
Net unrealized loss	30,715	2,262
Net realized gain	0	(8,970)
Gain on sale of asset	0	(500)
Adjustments for changes in operating assets and liabilities:		
Certificates of deposit	(16,459)	(5,337)
Grants receivable	(85,351)	157,989
Employee advance	650	(2,250)
Prepaid expense	10,143	262
Accounts payable	(9,387)	5,980
Accrued salaries, wages and benefits	63,774	6,839
Other accrued expenses	(476)	476
Net Cash Flows from Operating Activities	345,948	497,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of asset	0	500
Proceeds from sale of investments	0	191,759
Purchase of property and equipment	(35,751)	(24,659)
Purchase of investments	(267,846)	(496,692)
Net Cash Flows used in Investing Activities	(303,597)	(329,092)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	304,000	0
Capital lease principal payments	(6,573)	(8,101)
Net Cash Flows from (used in) in Financing Activities	297,427	(8,101)
CHANGE IN CASH AND CASH EQUIVALENTS	339,778	160,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	609,284	449,096
CASH AND CASH EQUIVALENTS AT END OF YEAR	949,062	609,284
SUPPLEMENTARY DISCLOSURE OF CASH FLOWS		
Interest paid	1,479	180
SUPPLEMENTARY DISCLOSURE OF NONCASH FINANCING ACTIVITY		
Purchase of equipment financed by a capital lease obligation	29,476	0

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

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NATURE OF BUSINESS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

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

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

FAIR VALUE MEASUREMENTS

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

USE OF ESTIMATES

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

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the respective limits by the FDIC. It is common for the Organization's cash balance to exceed the insured limit throughout the course of operations. Funds received from the Department of Housing and Urban Development are held in a segregated bank account.

GRANTS

Support received under governmental grants is recorded based on expenses incurred or based on a fix rate. Grants receivable represents amounts due for expenses incurred or units serviced prior to year end, and are considered fully collectible by management. The organization uses the allowance method to determine uncollectible grants receivable. Management has determined no allowance is necessary for grants receivable at June 30, 2020 or 2019.

INVESTMENTS

In accordance with the requirements of Accounting for Certain Investments Held by Not-for-Profit Organizations Topic of FASB ASC 958-320, the Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the Statements of Financial Position. Gains and losses are reflected as increases or decreases in the class of net assets without donor restriction unless the donor or relevant laws place restrictions on the gains and losses.

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

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as current support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Net assets with donor restrictions are reclassified to net assets without donor restrictions at that time.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$51,577 and \$55,755 for the years ended June 30, 2020 and 2019, respectively.

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

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

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

FUNCTIONAL ALLOCATION OF EXPENSES

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

Expenses that are allocated include the following:

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

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

INCOME TAXES

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

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

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2016 through 2018 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are expensed as incurred. Advertising costs, included in other costs on the Statement of Activities for the years ended June 30, 2020 and 2019 were \$24,100 and \$32,935, respectively.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

On November 17, 2016, the FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*, which addresses classification and presentation of changes in restricted cash on the Statements of Cash Flows. ASU 2016-18 requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for public business entities for annual periods beginning after December 15, 2017 and interim periods within those fiscal years. It is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 for all other entities. The Organization adopted ASU 2016-18 for the fiscal year ended June 30, 2020 using a retrospective transition method for each period presented.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard was intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. ASU 2018-08 is effective for resource recipients for annual periods beginning after December 15, 2018. The Organization adopted ASU 2018-08 for the fiscal year ended June 30, 2020. The adoption of this ASU did not result in any material changes in the accounting for contributions received.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The 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 adopted the ASU and adjusted the presentation of these statements to comply with this ASU in the year ended June 30, 2019.

FUTURE ACCOUNTING PRONOUNCEMENTS

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and later, various subsequent amendments (collectively "ASC 606"). This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition, including industry-specific guidance. ASC 606 requires that revenue is recognized when a customer obtains control of a good or service, which is when a customer has the ability to direct the use of and obtain benefits of the good or service. ASC 606 was scheduled to be effective for fiscal years beginning after December 15, 2018. However, on May 20, 2020, the FASB delayed the effective date of ASC 606 to annual reporting periods beginning after December 15, 2020 if an entity's financial statements for 2019 were not yet issued as of that date. The Organization has not adopted ASC 606 for the fiscal year ended June 30, 2020.

The Organization has not yet implemented ASU 2016-02, *Leases (Topic 842)* which was issued by FASB in February 2016. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Lessor accounting will not fundamentally change. Operating lease income will be recognized on a straight-line basis over the lease term. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. The Organization is in the process of assessing the effect of this ASU on these financial statements.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization has working capital of \$2,543,643 and \$1,684,771 and average days cash on hand of 165 and 106 as of June 30, 2020 and 2019, respectively.

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	949,062	609,284
Certificates of deposit	528,371	511,912
Grants receivable	313,924	228,573
Employee advance	1,800	2,450
Investments	891,589	654,458
Total financial assets	2,684,746	2,006,677
Less amounts not available to be used within one year:		
Certificates of deposit	0	250,000
Financial assets available to meet general expenditures within 1 year	2,684,746	1,756,677

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Basis of Fair Value Measurement

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

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

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value as of June 30, 2020:

Investments	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	0	528,371	0	528,371
Exchange traded funds	891,589	0	0	891,589
Total	891,589	528,371	0	1,419,960

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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

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

NOTE 4 - BENEFICIAL INTEREST

A donor has established a fund at a local Community Foundation to receive gifts for the purpose of providing support to the Organization. The value of contributions made directly to the fund and the related appreciation (depreciation) is not considered to be an asset of the Organization, however, the Organization receives the income earned on the assets. Distributions from the fund are recorded as contribution revenue when the distribution is taken. There were no contributions or distributions received from the fund for the years ended June 30, 2020 and 2019. The value of the fund held on behalf of the Organization was \$109,891 and \$98,650 at June 30, 2020 and 2019, respectively.

NOTE 5 - CAPITAL LEASES

The Organization leased a piece of equipment under a capital lease obligation that expired in August 2019. Obligations under the capital lease were recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at an interest rate of 3.25%. The lease obligation required monthly payments of \$654. The Organization entered into a new capital lease obligation that replaced the original equipment. Obligations under the new capital lease are recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at an interest rate of 5.00%. The lease obligation requires monthly payments of \$598. The capitalized cost, accumulated depreciation, and depreciation expense are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Capital cost	29,476	36,189
Accumulated depreciation	6,261	34,983
Net book value	23,215	1,206
Depreciation expense	6,261	7,237

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

2021	7,177
2022	7,177
2023	7,177
2024	4,783
Total future minimum lease payments	26,314
Amount representing interest	2,535
Net present value of future minimum lease payments	23,779
Less current portion	6,019
Amount due beyond current one year	17,760

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 - NOTE PAYABLE

Note payable consists of the following at June 30, 2020:

In April 2020, the Organization applied for and received an unsecured PPP loan made available through the CARES Act in the amount of \$304,000. Payments are due monthly in the amount of \$17,108 including interest at 1%. As of the issuance of the financial statements, the Organization has yet to calculate and apply for forgiveness, but expects to receive some portion of forgiveness during the fiscal year ending June 30, 2021. The maturity date of the note payable is April 24, 2022.

	304,000
Net long-term note payable	304,000

Notes payable, less current portion, is scheduled to mature as follows for the years ending June 30:

2022	304,000
Total	304,000

NOTE 7 - OPERATING LEASES

The Organization renewed a one year lease agreement with a tenant that expires in January 2021. The tenant owes rent on the first of each month in equal installments of \$2,000. Future minimum rentals on non-cancelable leases at June 30, 2020 are \$14,000.

The Organization entered into a lease for office equipment, effective May 1, 2019, requiring monthly payments of \$352 through August 2022. Total lease expense for the office equipment for the year ended June 30, 2020 was \$4,225.

The Organization entered into a lease for office equipment, effective October 1, 2018, requiring monthly payments of \$68 through September 2023. Total lease expense for the office equipment for the year ended June 30, 2020 was \$816.

The Organization entered into a lease for a washer and dryer effective February 24, 2020, requiring monthly payments of \$120 through February 2025. Total lease expense for the washer and dryer for the year ended June 30, 2020 was \$480.

The Organization incurred various other related maintenance costs and taxes related to office equipment of approximately \$5,981 during the year ended June 30, 2020.

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

2021	6,481
2022	6,481
2023	2,608
2024	1,644
2025	960
Total future minimum lease payments	18,174

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 8 - RETIREMENT PLAN

The Organization contributes to a simplified employee pension plan for substantially all employees. The amount of the contribution to the plan is at the discretion of the Board of Directors of the Organization and is a percentage of employee salaries. The Organization contributed \$28,779 and \$26,548 for the years ended June 30, 2020 and 2019, respectively. The Organization also established an Employee Tax Deferred Savings Plan under Internal Revenue Code Section 403(b). Employees may choose to contribute to the plan at their discretion through pre-tax payroll deductions.

NOTE 9 - CONCENTRATIONS

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

NOTE 10 - CONTINGENCIES

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

NOTE 11 - RELATED PARTY TRANSACTIONS

The Organization contracts with a media company for advertising services. The company is owned by a member of the Board of Directors. The Organization pays \$2,000 per month for the services, plus additional fees for special projects. During the years ended June 30, 2020 and 2019, the Organization purchased services totaling \$24,100 and \$24,025, respectively.

In addition, the Organization contracts with an information technology company for support services. The company is owned by a member of the Board of Directors. The Organization pays approximately \$738 per month for the services, plus additional fees for virus and malware protection. During the years ended June 30, 2020 and 2019, the Organization purchased services totaling \$15,586 and \$15,216, respectively.

NOTE 12 - COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

As a result of the COVID-19 outbreak, the Organization remained open and operating, but implemented several safety measures put in place to protect staff and clients. These measures include the purchase of personal protection equipment (PPE) and procedural controls implemented to prevent client and staff infection. While critical benchmarks were met, overall revenues decreased during this time due to strict measures limiting the admittance of new clients. The Organization also received funding from multiple sources, both private and federal, to help offset the additional costs incurred by remaining open. These funds were used primarily to offer additional hazard pay to employees due to the at-risk population. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization has limited ability to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the fiscal year ending June 30, 2021.

Although the Organization cannot estimate the full length or gravity of the impact of the COVID-19 outbreak at this time, the pandemic may have an adverse effect on the Organization's results of future operations, financial position, and liquidity for the fiscal year ending June 30, 2021.

NOTE 13 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 8, 2021, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

LIFE TREATMENT CENTERS, INC.South Bend, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDSFor the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Homeland Security				
Passed-through United Way of St. Joseph County, Inc.				
Emergency Food and Shelter National Board Program	97.024	277600-028 Phase 36	2,500	0
<i>Total Department of Homeland Security</i>			<u>2,500</u>	<u>0</u>
Department of Health and Human Services				
Passed-through Affiliated Service Providers of Indiana, Inc. (ASPIN)				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25124	967,026	0
Passed-through Intecare, Inc.				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	806	179,885	0
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>1,146,911</u>	<u>0</u>
<i>Total Department of Health and Human Services</i>			<u>1,146,911</u>	<u>0</u>
Department of Housing and Urban Development				
Passed-through City of South Bend				
Emergency Solutions Grant Program	14.231	19-JE-03	30,000	0
COVID-19 Emergency Solutions Grant Program	14.231	20-EV-21	85,053	0
Total Emergency Solutions Grant Program			<u>115,053</u>	<u>0</u>
Continuum of Care Program				
Continuum of Care Program	14.267	IN0145J5H021705	14,703	0
Continuum of Care Program	14.267	IN0145J5H021806	151,542	0
Total Continuum of Care Program			<u>166,245</u>	<u>0</u>
<i>Total Department of Housing and Urban Development</i>			<u>281,298</u>	<u>0</u>
Department of Agriculture				
Passed-through Food Bank of Northern Indiana				
Food Distribution Cluster				
Emergency Food Assistance Program	10.568	SU23	115,736	0
Total Food Distribution Cluster			<u>115,736</u>	<u>0</u>
<i>Total Department of Agriculture</i>			<u>115,736</u>	<u>0</u>
Total Expenditures of Federal Awards			<u>1,546,445</u>	<u>0</u>

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal award activity of Life Treatment Centers, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - EXPENDITURES OF FEDERAL AWARDS

Federal awards on Statements of Activities	1,430,709
Non-cash federal award on Statements of Activities	<u>115,736</u>
Total expenditures of federal awards	<u><u>1,546,445</u></u>

ADDITIONAL REQUIRED REPORTS AND INFORMATION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Life Treatment Centers, Inc. (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2020, 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 January 8, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

Life Treatment Centers, Inc.'s Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana
January 8, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited Life Treatment Centers, Inc.'s (a non-profit organization) (the "Organization"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that will not be identified. We did identify a certain deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2020-003 that we consider to be a material weakness.

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

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana
January 8, 2021

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section II - Financial Statement Findings

MATERIAL WEAKNESSES

2020-001 Non-cash contributions

Condition: The Organization did not record non-cash contributions of food received from a pass-through organization.

Criteria: The Organization is required to design, implement and maintain a system of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. This includes the identification of non-cash transactions.

Cause: The control procedures in place did not properly identify the food donation as a material non-cash contribution.

Effect: Failure to properly record non-cash contributions could result in a material misstatement of revenue and expenses.

Recommendation: We recommend that the Organization implement internal controls to identify and record non-cash contributions as required by generally accepted accounting principles in the United States of America (GAAP).

Identification of Repeat Findings: This is not a repeat finding.

Views of Responsible Officials and Planned Corrective Actions Management agrees with the finding and will implement proper internal controls to ensure that all non-cash contributions are properly identified and recorded.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section II - Financial Statement Findings (Continued)

2020-002	CUTOFF
<i>Condition:</i>	The Organization recorded grant receipts subsequent to year end that related to grant expenditures incurred during the year ended June 30, 2020 as revenue in fiscal year-end June 30, 2021.
<i>Criteria:</i>	The Organization is required to design, implement and maintain a system of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. This includes the identification of grants.
<i>Cause:</i>	Cutoff was not properly applied.
<i>Effect:</i>	We proposed two material audit adjustments to recognize revenue in the proper period.
<i>Recommendation:</i>	We recommend that management review grant and revenue recognition standards for nonprofit entities under GAAP and apply proper cutoff procedures prospectively.
<i>Identification of repeat findings:</i>	Not a repeat finding.
<i>Views of Responsible Officials and Planned Corrective Actions:</i>	Management agrees with the finding and will review its internal controls over the financial reporting process to ensure that all material transactions are reflected in the proper period in the future.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section III - Federal Award Findings and Questioned Costs

MATERIAL WEAKNESS

2020-003 Schedule of Expenditures of Federal Awards (SEFA)

Federal Agency: Department of Housing and Urban Development, Department of Agriculture
Federal Program or Emergency Solutions Grant, The Emergency Food Assistance Program
Cluster: (TEFAP)
CFDA Number: 14.231, 10.568
Federal Award Award Period 3/6/2020-12/31/2021:
Numbers and Years 20-EV-21
 Award Period 10/1/2019-9/30/2020:
 SU23

Condition: The SEFA presented for audit did not included awards from the Department
 of Housing and Urban Development and the Department of Agriculture.

Criteria: The Organization must prepare the SEFA which must list individual Federal
 awards by Federal Agency, including total Federal awards expended, name
 of pass-through entity, CFDA number, and total amount provided to
 subrecipients, if applicable. The information contained in the SEFA should
 be derived from and relate directly to the underlying accounting and other
 records used to prepare the financial statements.

Cause: The Organization was not provided with timely information to identify the
 federal awards.

Effect: The federal award expenditures on the SEFA were understated prior to
 adjustment.

Recommendation: The Organization should establish policies and procedures to ensure that all
 expenditures of federal awards are identified and reported accurately on the
 SEFA.

Identification of repeat This finding is not a repeat finding.
findings:

View of Responsible Management agrees with the finding and will work with funding agencies to
Officials and Planned identify federal awards and expenditures on a timely basis.
Corrective Actions:

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2020

FINANCIAL STATEMENT AUDIT FINDINGS

Finding 2019-001 ACCOUNTS PAYABLE

Condition: The Organization used the same check sequence multiple times for two separate check runs. These checks were actually printed on pre-numbered check stock which caused a discrepancy in the accounting records. This finding was discovered and reported in the June 30, 2018 report. However, due to the timing of the transaction, it was repeated in the 2019 report.

Criteria: The Organization is required to design, implement and maintain a system of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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



01/08/2021

Restoring Lives Through Addictions Treatment

Life Treatment Centers, Inc.'s Corrective Action Plan

Life Treatment Centers, Inc. respectfully submits the following corrective action plan for the year ended June 30th, 2020

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

Audit Period: 2020 (July 1st, 2019 through June 30th, 2020)

Financial Statement Findings

FINDING 2020-001 Non-cash contributions

Management Response: Management agrees with the finding and will implement proper internal controls to ensure that all non-cash contributions are properly identified and recorded.

Action Plan: Any donations that come in will be reported by the proper employee and then reviewed by the CFO and Director of Operations to determine their value to be recorded on the financial statements.

Responsible for Correct Action: CFO (Amy Grill), Senior Accountant (Bernie Jastrzembski) and Director of Operations (Michael Teske)

Anticipated Completion Date: Process in place as of 01/08/2021

FINDING 2020-002 CUTOFF

Management Response: Management agrees with this finding and will review internal controls along with other standards to make sure all transactions are reported in the proper period.

Action Plan: CFO and Senior Accountant will make sure that all funds are documented in the correct period effective immediately. More information will be requested by the paying agency if needed to make sure grant and revenue recognition are properly applied.

Responsible for Correct Action: CFO (Amy Grill) and Senior Accountant (Bernie Jastrzembski)

Anticipated Completion Date: Process in place as of 01/08/2021

FINDING 2020-003 Schedule of Expenditures of Federal Awards (SEFA)

Management Response: Management agrees with this finding and will work with funding Agencies and request more information if applicable to identify and account correctly Federal awards and expenditures on a timely basis.

Action Plan: A policy/procedure was put in place to help us identify and account for correctly these funds and expenditures.

Responsible for Correct Action: CFO (Amy Grill), Senior Accountant (Bernie Jastrzembski) and Director of Operations (Michael Teske)

Anticipated Completion Date: Process in place as of 01/08/2021