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February 1, 2022

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, 2020 to June 30, 2021. 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, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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, CPA
State Examiner



ANNUAL REPORT
June 30, 2021

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

ANNUAL REPORT

June 30, 2021

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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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana
October 26, 2021

LIFE TREATMENT CENTERS, INC.South Bend, Indiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	1,288,993	949,062
Certificates of deposit	374,608	528,371
Grants receivable	373,530	313,924
Employee advance	100	1,800
Prepaid expense	24,914	20,447
Investments	1,463,438	891,589
Total Current Assets	3,525,583	2,705,193
PROPERTY AND EQUIPMENT		
Land	174,035	174,035
Buildings and building improvements	1,485,248	1,447,301
Furniture and equipment	216,934	214,305
Vehicles	47,486	54,146
Total	1,923,703	1,889,787
Accumulated depreciation	1,392,790	1,351,702
Net Property and Equipment	530,913	538,085
OTHER ASSETS		
Certificate of deposit	157,892	0
TOTAL ASSETS	4,214,388	3,243,278
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of capital lease	6,359	6,019
Accounts payable	33,387	11,954
Accrued salaries, wages and benefits	86,773	143,577
Total Current Liabilities	126,519	161,550
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	10,338	17,760
Note payable - bank	280,403	304,000
Total Long-term Liabilities	290,741	321,760
TOTAL LIABILITIES	417,260	483,310
NET ASSETS		
Without donor restriction	3,797,128	2,759,968
Total Net Assets	3,797,128	2,759,968
TOTAL LIABILITIES AND NET ASSETS	4,214,388	3,243,278

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

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

STATEMENTS OF ACTIVITIESFor the Years Ended June 30, 2021 and 2020

	2021			2020		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE						
Federal grant revenue	2,026,269	0	2,026,269	1,430,709	0	1,430,709
Federal non-cash assistance	74,020	0	74,020	115,736	0	115,736
Federal contract revenue	45,320	0	45,320	390,470	0	390,470
State grant revenue	111,011	0	111,011	131,915	0	131,915
State contract revenue	278,504	0	278,504	279,650	0	279,650
Other grants and contributions	25,969	0	25,969	44,103	0	44,103
Program service fees	145,061	0	145,061	129,358	0	129,358
Net unrealized gain (loss)	251,996	0	251,996	(30,715)	0	(30,715)
Interest income	24,715	0	24,715	33,009	0	33,009
Rent revenue	26,500	0	26,500	24,000	0	24,000
Miscellaneous revenue	314,355	0	314,355	12,014	0	12,014
Fundraising event revenue	19,655	0	19,655	9,360	0	9,360
Less: costs of direct benefits to donors	<u>(1,459)</u>	<u>0</u>	<u>(1,459)</u>	<u>(4,047)</u>	<u>0</u>	<u>(4,047)</u>
Net revenues from special events	18,196	0	18,196	5,313	0	5,313
Total	3,341,916	0	3,341,916	2,565,562	0	2,565,562
EXPENSES						
Program:						
Residential and treatment services	1,672,844	0	1,672,844	1,730,872	0	1,730,872
Management and general	597,807	0	597,807	505,686	0	505,686
Fundraising	34,105	0	34,105	28,242	0	28,242
Total	2,304,756	0	2,304,756	2,264,800	0	2,264,800
CHANGE IN NET ASSETS	1,037,160	0	1,037,160	300,762	0	300,762
NET ASSETS AT BEGINNING OF YEAR	2,759,968	0	2,759,968	2,459,206	0	2,459,206
NET ASSETS AT END OF YEAR	3,797,128	0	3,797,128	2,759,968	0	2,759,968

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, 2021

	<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	999,297	325,154	9,024	1,333,475
Payroll taxes	77,001	25,055	695	102,751
Benefits	140,512	45,720	1,269	187,501
Insurance	45,350	14,624	0	59,974
Repairs and maintenance	101,807	14,543	0	116,350
Utilities	61,972	8,853	0	70,825
Telephone	6,002	858	0	6,860
Auto	15,690	0	0	15,690
Office supplies	0	5,077	0	5,077
Dues and subscriptions	0	418	0	418
Professional fees	3,906	54,794	0	58,700
Printing and postage	0	8,692	0	8,692
Contract fees	0	18,848	0	18,848
Information technology	0	55,902	0	55,902
Food	121,333	0	0	121,333
Supplies	11,560	0	0	11,560
Depreciation	41,161	5,880	0	47,041
Drug screening	892	0	0	892
Staff training	5,648	0	0	5,648
Interest	0	763	0	763
Security	40,713	0	0	40,713
Bank fees	0	1,124	0	1,124
Advertising expense	0	0	24,276	24,276
Other costs	0	11,502	0	11,502
Fundraising expense	0	0	300	300
Total Expenses	1,672,844	597,807	35,564	2,306,215
Less direct donor benefits netted in revenue	0	0	(1,459)	(1,459)
TOTAL FUNCTIONAL EXPENSES	1,672,844	597,807	34,105	2,304,756

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 revenues	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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	1,037,160	300,762
Adjustments to reconcile changes in net assets to net cash from (used in) operating activities		
Depreciation	47,041	51,577
Net unrealized gain (loss)	(251,996)	30,715
Loss on sale of asset	664	0
Gain on extinguishment of debt	(304,000)	0
Adjustments for changes in operating assets and liabilities:		
Certificates of deposit	(4,129)	(16,459)
Grants receivable	(59,606)	(85,351)
Employee advance	1,700	650
Prepaid expense	(4,467)	10,143
Accounts payable	21,433	(9,387)
Accrued salaries, wages and benefits	(56,804)	63,774
Other accrued expenses	0	(476)
Net Cash Flows from Operating Activities	426,996	345,948
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of asset	300	0
Proceeds from sale of investments	290,153	0
Purchase of property and equipment	(40,833)	(35,751)
Purchase of investments	(610,006)	(267,846)
Net Cash Flows used in Investing Activities	(360,386)	(303,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	280,403	304,000
Capital lease principal payments	(7,082)	(6,573)
Net Cash Flows from in Financing Activities	273,321	297,427
CHANGE IN CASH AND CASH EQUIVALENTS	339,931	339,778
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	949,062	609,284
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,288,993	949,062
SUPPLEMENTARY DISCLOSURE OF CASH FLOWS		
Interest paid	763	1,479
SUPPLEMENTARY DISCLOSURE OF NONCASH FINANCING ACTIVITY		
Purchase of equipment financed by a capital lease obligation	0	29,476

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, 2021 and 2020

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.

USE OF ESTIMATES

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

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 local banks 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.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

GRANTS

Support received under governmental grants is recorded based on expenses incurred or based on a fixed 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, 2021 or 2020.

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).

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 \$47,041 and \$51,577 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020

REVENUE RECOGNITION

Government Grants

The Organization has several large government grants that are either fee-for-service or cost reimbursement. These grants are considered contributions since they benefit the general public. Revenues for the fee-for service grants are recognized when the related services outlined in the grant contracts are performed. Revenues for the cost-reimbursement grants are recognized when the allowable expenses are incurred and all other conditions of the grant are satisfied.

State Grants and Contracts

The Organization has state grants and contracts that are either fee-for-service or cost reimbursement. These are recognized the same as the government grants noted above.

Federal Contract Revenue

The Organization had a contract with the Veteran's Administration that was a fee-for-service grant. This grant was based on a monthly census of eligible veterans who are receiving treatment in the facility. Revenues for these grants are then recognized when the related services outlined in the grant contracts are performed.

DONATED MATERIALS

The Organization receives food commodities from another local nonprofit agency through a program operated by the United States Department of Agriculture. Food commodities are recorded at fair market value as determined by the pass-through agency and are consumed in the normal course of operations. The value of donated food included in the Statements of Activities was \$74,020 and \$115,736 for the years ended June 30, 2021 and 2020, respectively.

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).

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 2017 through 2019 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, 2021 and 2020 were \$24,276 and \$24,100, respectively.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

On May 28, 2014, the FASB issued Accounting Standards Update ("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. The Organization adopted ASC 606 as of the fiscal year ended June 30, 2021 using the modified retrospective method applied to all contracts not completed as of July 1, 2020. The adoption of ASC 606 did not result in a material change in the accounting for any revenue streams.

RECENTLY ADOPTED 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.

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.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

FUTURE ACCOUNTING PRONOUNCEMENTS

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.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization has working capital of \$3,399,064 and \$2,543,643 and average days cash on hand of 215 and 165 as of June 30, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	1,288,993	949,062
Certificates of deposit	532,500	528,371
Grants receivable	373,530	313,924
Employee advance	100	1,800
Investments	1,463,438	891,589
Total financial assets	3,658,561	2,684,746
Less amounts not available to be used within one year:		
Certificates of deposit	(157,892)	0
Financial assets available to meet general expenditures within 1 year	3,500,669	2,684,746

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.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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. There were no changes in valuation methods during the year.

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value as of June 30, 2021:

Investments	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	0	532,500	0	532,500
Exchange traded funds	1,463,438	0	0	1,463,438
Total	1,463,438	532,500	0	1,995,938

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

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, 2021 and 2020. The value of the fund held on behalf of the Organization was \$140,118 and \$109,891 at June 30, 2021 and 2020, respectively.

NOTE 5 - CAPITAL LEASES

The Organization is party to a capital lease obligation for equipment. Obligations under the capital lease are recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at an interest rate of 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>2021</u>	<u>2020</u>
Capital cost	31,307	29,476
Accumulated depreciation	12,522	6,261
Net book value	18,785	23,215
Depreciation expense	6,261	6,261

LIFE TREATMENT CENTERS, INC.South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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:

2022	7,177
2023	7,177
2024	3,718
Total future minimum lease payments	18,072
Amount representing interest	1,375
Net present value of future minimum lease payments	16,697
Less current portion	6,359
Amount due beyond current one year	10,338

NOTE 6 - NOTE PAYABLE

Note payable consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
In April 2020, the Organization applied for and received an unsecured Paycheck Protection Program (PPP) loan made available through the CARES Act in the amount of \$304,000. The debt was forgiven by the lender in December 2020 in accordance with the terms of the PPP loan and is included in Miscellaneous Revenue in the Statements of Activities.	0	304,000
In January 2021, the Organization applied for and received a second unsecured PPP loan in the amount of \$280,403. Payments are due monthly in the amount of \$5,098 including interest at 1%. As of the issuance of the financial statements, the Organization had applied for and received forgiveness during the fiscal year ending June 30, 2022. The maturity date of the PPP loan is February 28, 2026.	280,403	0
Net long-term note payable	280,403	304,000

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

2026	280,403
Total	280,403

NOTE 7 - OPERATING LEASES

The Organization maintained a lease agreement with a tenant that expired in January 2021 at which time it became month-to-month. Monthly rent payments were \$2,000 under the expired lease. Under the month-to-month arrangement, rent is due on the first of each month in equal installments of \$2,500. Rent income was \$26,500 and \$24,000 for the years ended June 30, 2021 and 2020, respectively.

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 each of the years ended June 30, 2021 and 2020 was \$4,225.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 each of the years ended June 30, 2021 and 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 each of the years ended June 30, 2021 and 2020 was \$1,440.

The Organization incurred various other related maintenance costs and taxes related to office equipment of approximately \$1,820 and \$5,981 during the years ended June 30, 2021 and 2020, respectively.

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

2022	6,481
2023	2,608
2024	1,644
2025	960
Total future minimum lease payments	11,693

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 \$25,843 and \$28,779 for the years ended June 30, 2021 and 2020, 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 - 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, 2021 and 2020, the Organization purchased services totaling \$24,175 and \$24,100, 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, 2021 and 2020, the Organization purchased services totaling \$16,189 and \$15,586, respectively.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 11 - 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.

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, 2022.

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 26, 2021, the date the financial statements were available to be issued. The Organization's PPP loan in the amount of \$280,403 was forgiven in August 2021. No other 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, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing 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 38	15,000	0
COVID-19 Emergency Food and Shelter National Board Program	97.024	277600-028 Phase CARES	15,000	0
<i>Total Department of Homeland Security</i>			<u>30,000</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	41952	999,601	0
Passed-through Intecare, Inc.				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	806	196,387	0
Passed-through Indiana Department of Health				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	50099	27,500	0
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>1,223,488</u>	<u>0</u>
CARES Act Provider Relief Fund	93.498		39,349	0
Total CARES Act Provider Relief Fund			<u>39,349</u>	<u>0</u>
<i>Total Department of Health and Human Services</i>			<u>1,262,837</u>	<u>0</u>
Department of Housing and Urban Development				
Passed-through City of South Bend				
Emergency Shelter Operations	14.231	20-JE-03	30,000	0
COVID-19 Emergency Solutions Grant Program	14.231	20-EV-21	164,947	0
Passed-through Indiana Housing and Community Development Authority				
COVID-19 Emergency Solutions Grant Program	14.231	ESES-CV-020-0023	310,937	0
Total Emergency Solutions Grant Program			<u>505,884</u>	<u>0</u>
Passed-through City of South Bend				
CDBG-Entitlement Grants Cluster				
COVID-19 Community Development Block Grant - Coronavirus Response Equipment Program	14.218	20-CV-41	50,000	0
Total Community Development Block Grants / Entitlement Grants Cluster			<u>50,000</u>	<u>0</u>
Continuum of Care Program				
Continuum of Care Program	14.267	IN0145L5H021806	19,130	0
Continuum of Care Program	14.267	IN0145L5H021907	158,418	0
Total Continuum of Care Program			<u>177,548</u>	<u>0</u>
<i>Total Department of Housing and Urban Development</i>			<u>733,432</u>	<u>0</u>

LIFE TREATMENT CENTERS, INC.South Bend, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Agriculture				
Passed-through Food Bank of Northern Indiana				
Food Distribution Cluster				
Emergency Food Assistance Program (Food Commodities)	10.569	SU23	74,020	0
Total Food Distribution Cluster			<u>74,020</u>	<u>0</u>
<i>Total Department of Agriculture</i>			<u>74,020</u>	<u>0</u>
Total Expenditures of Federal Awards			2,100,289	0

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

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, 2021. 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	2,026,269
Non-cash federal assistance on Statements of Activities	<u>74,020</u>
Total expenditures of federal awards	<u><u>2,100,289</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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 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) as a basis for designing 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. 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.

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 financial statements. 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 the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kussel, Jantzen & Company LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Elkhart, Indiana
October 26, 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 (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, 2021. 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 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 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, 2021.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana
October 26, 2021

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTSFor the Year Ended June 30, 2021

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?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance of major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Identification of major programs:	
<u>Assistance Listing 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, 2021

Section II - Financial Statement Findings

There were no findings required to be reported in accordance with *Government Auditing Standards*.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

Section III - Federal Award Findings and Questioned Costs

There were no findings required to be reported in accordance with the Uniform Guidance.

LIFE TREATMENT CENTERS, INC.

South Bend, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2021

MATERIAL WEAKNESS

2020-001 NON CASH CONTRIBUTIONS

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

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

Current Status: All donations during the year were reported by the proper employee and reviewed by the Chief Financial Officer (CFO) and Director of Maintenance to determine the value to be recorded in the financial statements.

2020-002 CUTOFF

Condition: 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.

Recommendation: We recommend that management review grant and revenue recognition standards for nonprofit entities under GAAP and apply proper cutoff procedures prospectively.

Current Status: CFO and Senior Accountant make sure that all funds are recorded in the correct period.

2020-003 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

MATERIAL WEAKNESS

Federal Agency: Department of Housing and Urban Development, Department of Agriculture
Federal Program or Cluster: Emergency Solutions Grant, The Emergency Food Assistance Program (TEFAP)

CFDA Number: 14.231, 10.568

Federal Award Numbers and Years Award Period 3/6/2020-12/31/2021:
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.

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

Current Status: Management implemented new policies and procedures in order to properly identify grant revenue and expenditures.