



THE VILLAGE OF
merici

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015



THE VILLAGE OF MERICI, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Village of Merici, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of The Village of Merici, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Village of Merici, Inc. as of December 31, 2016 and 2015, and its changes in net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Aluding CPA Group

May 10, 2017

THE VILLAGE OF MERICI, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Assets:		
Cash	\$ 161,915	\$ 151,916
Accounts receivable, net of allowance for doubtful accounts of \$5,761 and \$0-	14,051	24,912
Contributions and grants receivable	102,125	56,400
Prepaid expenses	4,638	3,112
Equipment, net	<u>40,302</u>	<u>47,204</u>
Total assets	<u>\$ 323,031</u>	<u>\$ 283,544</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued expenses	<u>\$ 7,645</u>	<u>\$ 11,017</u>
Net Assets:		
Unrestricted net assets	213,161	216,572
Temporarily restricted net assets	<u>102,225</u>	<u>55,955</u>
Total net assets	<u>315,386</u>	<u>272,527</u>
Total liabilities and net assets	<u>\$ 323,031</u>	<u>\$ 283,544</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Support and Revenue:		
Public support and revenues:		
Individual contributions	\$ 123,517	\$ 47,429
Corporate contributions and grants	57,804	17,664
In-kind contributions	27,000	36,288
Other income	405	-0-
Total public support and revenues	<u>208,726</u>	<u>101,381</u>
Program Revenues:		
Special events	24,846	22,486
Service delivery	181,913	112,099
Net assets released from restrictions	45,855	40,000
Total program revenues	<u>252,614</u>	<u>174,585</u>
Total unrestricted support and revenues	<u>461,340</u>	<u>275,966</u>
Expenses:		
Program services	249,946	192,627
Management and general	166,420	113,555
Fundraising	48,385	24,652
Total operating expenses	<u>464,751</u>	<u>330,834</u>
Change in unrestricted net assets	<u>(3,411)</u>	<u>(54,868)</u>
Temporarily Restricted Support and Revenue:		
Individual contributions	17,125	55
Corporate contributions and grants	75,000	-0-
Net assets released from restrictions	(45,855)	(40,000)
Change in temporarily restricted net assets	<u>46,270</u>	<u>(39,945)</u>
Total change in net assets	42,859	(94,813)
Net Assets, Beginning of Year	<u>272,527</u>	<u>367,340</u>
Net Assets, End of Year	<u>\$ 315,386</u>	<u>\$ 272,527</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Salaries	\$ 182,046	\$ 118,556	\$ 29,860	\$ 330,462	\$ 223,808
Payroll taxes	<u>15,847</u>	<u>8,062</u>	<u>3,892</u>	<u>27,801</u>	<u>19,769</u>
Total salaries and related expenses	197,893	126,618	33,752	358,263	243,577
Event expense	2,476	-0-	9,856	12,332	10,166
Professional fees	1,144	8,724	281	10,149	9,255
Insurance	9,163	2,291	-0-	11,454	8,114
Depreciation	-0-	8,722	-0-	8,722	7,908
Office expense	491	2,486	1,495	4,472	6,149
Utilities	-0-	6,993	-0-	6,993	6,084
Auto expense	8,807	-0-	-0-	8,807	5,530
Bad debt expense	3,118	-0-	-0-	3,118	2,643
Advertising	1,722	410	1,077	3,209	1,991
Miscellaneous expense	5,962	3,966	304	10,232	2,417
Rent	<u>19,170</u>	<u>6,210</u>	<u>1,620</u>	<u>27,000</u>	<u>27,000</u>
	<u>\$ 249,946</u>	<u>\$ 166,420</u>	<u>\$ 48,385</u>	<u>\$ 464,751</u>	<u>\$ 330,834</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 134,285	\$ 78,333	\$ 11,190	\$ 223,808
Payroll taxes	<u>11,861</u>	<u>6,919</u>	<u>989</u>	<u>19,769</u>
Total salaries and related expenses	146,146	85,252	12,179	243,577
Event expense	2,033	-0-	8,133	10,166
Professional fees	4,029	5,145	81	9,255
Insurance	6,491	1,623	-0-	8,114
Depreciation	-0-	7,908	-0-	7,908
Office expense	1,230	3,689	1,230	6,149
Utilities	4,335	1,445	304	6,084
Auto expense	5,530	-0-	-0-	5,530
Bad debt expense	2,643	-0-	-0-	2,643
Advertising	995	-0-	996	1,991
Rent	19,170	6,210	1,620	27,000
Miscellaneous expense	<u>25</u>	<u>2,283</u>	<u>109</u>	<u>2,417</u>
	<u>\$ 192,627</u>	<u>\$ 113,555</u>	<u>\$ 24,652</u>	<u>\$ 330,834</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 42,859	\$ (94,813)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,722	7,908
Donated equipment	-0-	(6,000)
Allowance for doubtful accounts	5,761	-0-
Changes in operating assets and liabilities:		
Accounts receivable	5,100	(17,728)
Contributions and grants receivable	(45,725)	39,800
Prepaid expenses	(1,526)	(878)
Accrued expenses	<u>(3,372)</u>	<u>1,318</u>
Net cash provided by (used in) operating activities	<u>11,819</u>	<u>(70,393)</u>
Cash Flows From Investing Activities:		
Purchase of equipment	<u>(1,820)</u>	<u>(2,822)</u>
Net increase (decrease) in cash	9,999	(73,215)
Cash, Beginning of Year	<u>151,916</u>	<u>225,131</u>
Cash, End of Year	<u>\$ 161,915</u>	<u>\$ 151,916</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

THE VILLAGE OF MERICI, INC. (the "Organization") is a not-for-profit organization which provides residential supported living and community integration services to individuals with developmental disabilities.

The significant accounting policies followed by the Organization in the preparation of its financial statements are summarized below:

Basis of Presentation

Net assets, support, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are net assets not subject to donor-imposed restrictions and are, therefore, available to support the general operations of the Organization. Temporarily restricted net assets are net assets subject to donor-imposed restrictions related to specific projects or the passage of time.

Revenue Recognition and Accounts Receivable and Contributions and Grants Receivable

Support and other revenues are reported as an increase in unrestricted or temporarily restricted net assets based upon donor restrictions, if any. The Organization records donor restricted contributions whose restrictions are met in the same reporting period as unrestricted support and program revenue. Contributions are recognized when the donor makes an unconditional promise to give to the Organization either in writing or verbally.

Service delivery revenue is recognized during the period services are provided to individuals.

Accounts receivable and contributions and grants receivable are reported at the amount invoiced or the amount pledged or contributed, net of an allowance for doubtful accounts, if any. The Organization, on a periodic basis, evaluates its receivable accounts and establishes an allowance for doubtful accounts based on past write-offs, collections, and current credit conditions. The allowance for doubtful accounts was \$5,761 and \$0- for the years ended December 31, 2016 and 2015, respectively.

Statement of Functional Expenses

Expenses are classified among functional categories that include Program Services, Management and General, and Fundraising. Classifications are based on actual direct expenditures and costs allocations determined by estimates of time spent by the Organization personnel or other rational basis of allocation.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Significant estimates made in the preparation of the Organization's financial statements include collectability of accounts receivable and contributions and grants receivable, value of donated lease space, and useful lives of equipment.

Equipment and Depreciation

Purchased equipment is recorded at cost. Items donated are recorded at fair market value on the date of donation. Costs of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets ranging from two to twenty years utilizing the straight-line method.

In-Kind Contributions

The Organization recognizes in-kind donations as support, including rent for their administrative offices (Note 4) and other services provided free of charge or at significant discounts.

Income Taxes

The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Accordingly, no provision has been made for Federal or state income taxes.

Management of the Organization evaluates all significant tax positions to ensure compliance with exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2016, Management does not believe the Organization has taken any tax positions that are not in compliance with the exempt purpose of the Organization. The Organization's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2013.

Subsequent Events

Subsequent events have been evaluated through May 10, 2017, which is the date the financial statements were available for issuance.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

2. CONTRIBUTIONS AND GRANTS RECEIVABLE

The Organization recognized all material unconditional promises to give as support and revenues. Contributions and grants receivable at December 31, 2016 and 2015 are expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 49,125	\$ 41,400
One to five years	<u>53,000</u>	<u>15,000</u>
	<u>\$ 102,125</u>	<u>\$ 56,400</u>

3. EQUIPMENT

Equipment at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 42,275	\$ 40,455
Vehicles	<u>16,520</u>	<u>16,520</u>
	58,795	56,975
Accumulated depreciation	<u>(18,493)</u>	<u>(9,771)</u>
	<u>\$ 40,302</u>	<u>\$ 47,204</u>

4. FACILITY RENT

The Organization is provided its facilities from an unrelated third party that donates the rent to the Organization annually. The donation of the rent is recorded and reported as in "In-kind contributions" in the statement of activities and changes in net assets. Rent contributed to the Organization was estimated at a value of \$27,000 for the years ended December 31, 2016 and 2015.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Future operations	\$ 102,125	\$ 55,800
Kitchen supplies	100	100
Christmas decorations	<u>-0-</u>	<u>55</u>
	<u>\$ 102,225</u>	<u>\$ 55,955</u>

6. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions due to the satisfaction of donor-imposed restrictions totaled \$45,855 and \$40,000 for the years ended December 31, 2016 and 2015, respectively. The assets were used for various programs, events and general operations.

7. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2016 and 2015, total contributions of \$26,818 and \$2,485, respectively, were from employees and members of its Board of Directors.

8. CONCENTRATION OF CREDIT RISK

Cash

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Grants Receivable and Revenue

At December 31, 2016 and for the year then ended, 73% of contributions and grants receivable and 15% of the support and revenues were from one (1) donor.

At December 31, 2015 and for the year then ended, 98% of contributions and grants receivable were from four (4) donors.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

9. SUBSEQUENT EVENT

In May 2017, the Organization received a pledge for \$600,000 from a donor, which is expected to be paid prior to December 31, 2017.