



FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



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, 2018 and 2017, 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 controls 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, 2018 and 2017, 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.

Handwritten signature in black ink that reads "Ashley CPA Grogg". The signature is written in a cursive, flowing style.

May 15, 2019

THE VILLAGE OF MERICI, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 819,873	\$ 822,112
Accounts receivable	24,336	17,913
Contributions and grants receivable	25,000	56,250
Prepaid expenses	5,963	1,968
Property and equipment, net	75,233	35,916
Earnest deposit for building	<u>50,000</u>	<u>-0-</u>
Total assets	<u>\$ 1,000,405</u>	<u>\$ 934,159</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 6,261	\$ 11,879
Accrued expenses	15,526	11,372
Deferred revenue	5,000	8,500
Other liabilities	<u>2,682</u>	<u>-0-</u>
Total liabilities	<u>29,469</u>	<u>31,751</u>
Net Assets:		
Without donor restrictions	365,132	211,908
With donor restrictions	<u>605,804</u>	<u>690,500</u>
Total net assets	<u>970,936</u>	<u>902,408</u>
Total liabilities and net assets	<u>\$ 1,000,405</u>	<u>\$ 934,159</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTAL FOR 2017)

	Donor Restrictions		2018	2017
	Without	With	Total	Total
Revenue and Support:				
Service delivery	\$ 612,616	\$ -0-	\$ 612,616	\$ 346,309
Public support and revenues:				
Individual contributions	72,376	10,000	82,376	708,402
Corporate contributions and grants	82,590	40,740	123,330	145,194
Special events	97,398	-0-	97,398	37,637
In-kind contributions	27,850	-0-	27,850	32,020
Other income	14,400	-0-	14,400	8,500
Interest income, net	7,344	-0-	7,344	-0-
	914,574	50,740	965,314	1,278,062
Net Assets Released From Donor Restrictions	135,436	(135,436)	-0-	-0-
	1,050,010	(84,696)	965,314	1,278,062
Expenses:				
Program services	610,669	-0-	610,669	415,319
Management and general	183,471	-0-	183,471	201,713
Fundraising	102,646	-0-	102,646	74,008
Total expenses	896,786	-0-	896,786	691,040
Change in net assets	153,224	(84,696)	68,528	587,022
Net Assets, Beginning of Year	211,908	690,500	902,408	315,386
Net Assets, End of Year	\$ 365,132	\$ 605,804	\$ 970,936	\$ 902,408

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2017

	Donor Restrictions		Total
	Without	With	
Revenue and Support:			
Service delivery	\$ 346,309	\$ -0-	\$ 346,309
Public support and revenues:			
Individual contributions	108,402	600,000	708,402
Corporate contributions and grants	104,694	40,500	145,194
Special events	37,637	-0-	37,637
In-kind contributions	32,020	-0-	32,020
Other income	8,500	-0-	8,500
Total revenue and support	637,562	640,500	1,278,062
Net Assets Released From Donor Restrictions	52,225	(52,225)	-0-
	689,787	588,275	1,278,062
Expenses:			
Program services	415,319	-0-	415,319
Management and general	201,713	-0-	201,713
Fundraising	74,008	-0-	74,008
Total expenses	691,040	-0-	691,040
Change in net assets	(1,253)	588,275	587,022
Net Assets, Beginning of Year	213,161	102,225	315,386
Net Assets, End of Year	\$ 211,908	\$ 690,500	\$ 902,408

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>2017 Total</u>
Salaries	\$ 460,270	\$ 116,183	\$ 53,286	\$ 629,739	\$ 462,837
Payroll taxes	<u>41,501</u>	<u>10,476</u>	<u>4,805</u>	<u>56,782</u>	<u>40,074</u>
Total salaries and payroll taxes	501,771	126,659	58,091	686,521	502,911
Event expense	8,195	-0-	29,601	37,796	36,926
Meeting expense	196	1,759	3,088	5,043	4,251
Service delivery	18,920	-0-	-0-	18,920	21,049
Professional fees	9,678	28,937	5,372	43,987	34,736
Computer software	1,006	-0-	-0-	1,006	3,706
Insurance	11,484	2,871	-0-	14,355	17,314
Depreciation	6,149	6,413	-0-	12,562	9,386
Office expense	338	1,812	1,812	3,962	3,343
Utilities	6,991	2,265	591	9,847	8,352
Auto expense	21,521	-0-	470	21,991	12,228
Bad debt expense	-0-	-0-	-0-	-0-	6,000
Advertising	868	116	176	1,160	1,232
Rent	19,170	6,210	1,620	27,000	27,000
Repairs and maintenance	2,485	805	210	3,500	1,080
Miscellaneous expense	<u>1,897</u>	<u>5,624</u>	<u>1,615</u>	<u>9,136</u>	<u>1,526</u>
	<u>\$ 610,669</u>	<u>\$ 183,471</u>	<u>\$ 102,646</u>	<u>\$ 896,786</u>	<u>\$ 691,040</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 288,160	\$ 138,667	\$ 36,010	\$ 462,837
Payroll taxes	<u>29,094</u>	<u>8,716</u>	<u>2,264</u>	<u>40,074</u>
Total salaries and payroll taxes	317,254	147,383	38,274	502,911
Event expense	7,501	-0-	29,425	36,926
Meeting expense	241	2,173	1,837	4,251
Service delivery	21,049	-0-	-0-	21,049
Professional fees	2,222	32,236	278	34,736
Computer software	3,706	-0-	-0-	3,706
Insurance	13,851	3,463	-0-	17,314
Depreciation	3,544	5,842	-0-	9,386
Office expense	792	1,317	1,234	3,343
Utilities	5,930	1,921	501	8,352
Auto expense	12,228	-0-	-0-	12,228
Bad debt expense	6,000	-0-	-0-	6,000
Advertising	737	49	446	1,232
Rent	19,170	6,210	1,620	27,000
Repairs and maintenance	767	248	65	1,080
Miscellaneous expense	<u>327</u>	<u>871</u>	<u>328</u>	<u>1,526</u>
	<u>\$ 415,319</u>	<u>\$ 201,713</u>	<u>\$ 74,008</u>	<u>\$ 691,040</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 68,528	\$ 587,022
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,562	9,386
Donated equipment	-0-	(5,000)
Allowance for doubtful accounts	-0-	(5,761)
Changes in operating assets and liabilities:		
Accounts receivable	(6,423)	1,899
Contributions and grants receivable	31,250	45,875
Prepaid expenses	(3,995)	2,670
Accounts payable	(5,618)	11,879
Accrued expenses	4,154	3,727
Deferred revenue	(3,500)	8,500
Other liability	(318)	-0-
Net cash provided by operating activities	<u>96,640</u>	<u>660,197</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(48,879)	-0-
Earnest deposit for building	(50,000)	-0-
Net cash used in investing activities	<u>(98,879)</u>	<u>-0-</u>
Net increase (decrease) in cash	(2,239)	660,197
Cash and Cash Equivalents, Beginning of Year	<u>822,112</u>	<u>161,915</u>
Cash and Cash Equivalents, End of Year	<u>\$ 819,873</u>	<u>\$ 822,112</u>
Supplement Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 381</u>	<u>\$ -0-</u>
Supplemental Disclosure of Investing and Financing Activities:		
Acquisition of equipment through other liabilities	<u>\$ 3,000</u>	<u>\$ -0-</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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:

Change in Accounting Principle

During 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the financial reporting 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 returns for not-for-profit organizations. As required by the update, the Organization retrospectively adopted the standard during 2018 and has conformed to the new presentation in the financial statements for all periods presented herein.

Basis of Presentation

Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available to support the general operations of the Organization. Net assets with donor restrictions are net assets subject to donor-imposed restrictions related to specific purposes or the passage of time.

Support and Revenue Recognition, Accounts Receivable and Contributions and Grants Receivable

Contributions and grants are recognized when the donor makes an unconditional promise to give to the Organization either in writing or verbally. Support and other revenues are reported as an increase in net assets with or without donor restrictions based upon whether the donor has imposed any restrictions. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are satisfied in the same reporting period in which the revenue is recognized.

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

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Accounts receivable and contributions and grants receivable are reported at the amount invoiced or the amount pledged or contributed, net of an allowance for estimated uncollectible 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. There was no allowance for doubtful accounts for the years ended December 31, 2018 and 2017, 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.

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. Primary estimates made in the preparation of the Organization's financial statements include the collectability of accounts receivable, contributions and grants receivable, the value of donated assets and donated lease space, and useful lives of property and equipment.

Cash and Cash Equivalents

Cash and cash equivalents include amounts held in checking, savings and money market accounts.

Property and Equipment and Depreciation

Purchased property and equipment is recorded at cost. Items donated are recorded at fair market value as of 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 contributions as support, including rent for their administrative office (Note 5) and other services provided free of charge or at significant discounts.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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, 2018, 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, 2015.

Subsequent Events

Subsequent events have been evaluated through May 15, 2019, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

At December 31, 2018 and 2017, financial assets available for future general expenditures within one year from the Statements of Financial Position comprise the following:

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$ 819,873	\$ 822,112
Accounts receivable	24,336	17,913
Contributions and grants receivable	25,000	56,250
Total financial assets	<u>869,209</u>	<u>896,275</u>
Less amounts not available to be used within one year:		
Donor restricted funds	<u>(605,804)</u>	<u>(690,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 263,405</u>	<u>\$ 205,775</u>

The Organization is supported by contributions with and without donor restrictions and earns service delivery revenues which are ongoing, major and central to its annual operations to be available to meet cash needs for general operations. Donor restrictions require resources to be used in a particular manner or in a future period.

The Organization maintains adequate liquid assets to fund near-term operating needs and maintains sufficient reserves to provide reasonable assurance that long-term obligations will be discharged as they become due.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

The Organization recognized all material unconditional promises to give as support and revenues. Contributions and grants receivable at December 31, 2018 and 2017 are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 25,000	\$ 31,250
One to five years	<u>-0-</u>	<u>25,000</u>
	<u>\$ 25,000</u>	<u>\$ 56,250</u>

4. PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 38,880	\$ -0-
Furniture and fixtures	48,275	42,275
Vehicles	<u>28,520</u>	<u>21,520</u>
	115,675	63,795
Accumulated depreciation	<u>(40,442)</u>	<u>(27,879)</u>
	<u>\$ 75,233</u>	<u>\$ 35,916</u>

5. FACILITY RENT

The Organization is provided its facilities rent free from an unrelated third party. The donation of the rent is recorded and reported as "In-kind contributions" in the Statements of Activities and Changes in Net Assets. Rent contributed to the Organization was valued at \$27,000 for the years ended December 31, 2018 and 2017.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

6. NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Future operations	\$ 25,000	\$ 50,000
Building purchase	560,000	600,000
Merici kitchen project	19,810	37,500
Technology	<u>994</u>	<u>3,000</u>
	<u>\$ 605,804</u>	<u>\$ 690,500</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. Donor restricted funds of \$135,436 and \$52,225 were released from restrictions during the years ended December 31, 2018 and 2017, respectively.

7. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2018 and 2017, contributions aggregating \$36,829 and \$633,365, respectively, were from employees and members of the Organization's board of directors.

8. CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents 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 and cash equivalents.

Contributions and Grants Receivable and Support and Revenue

At December 31, 2018 and for the year then ended, 100% of contributions and grants receivable were from one (1) donor and 97% of accounts receivable and 99% of service revenues were from one (1) agency.

At December 31, 2017 and for the year then ended, 100% of contributions and grants receivable were from two (2) donors and 64% of the public support and revenues were from one (1) donor. Additionally, 95% of accounts receivable and 99% of service revenues were from one (1) agency.