



FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016



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, 2017 and 2016, 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, 2017 and 2016, 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 16, 2018

THE VILLAGE OF MERICI, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 822,112	\$ 161,915
Accounts receivable, net of allowance for doubtful accounts of \$-0- and \$5,761	17,913	14,051
Contributions and grants receivable	56,250	102,125
Prepaid expenses	1,968	4,638
Equipment, net	<u>35,916</u>	<u>40,302</u>
Total assets	<u>\$ 934,159</u>	<u>\$ 323,031</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 11,879	\$ -0-
Accrued expenses	11,372	7,645
Deferred revenue	<u>8,500</u>	<u>-0-</u>
Total liabilities	<u>31,751</u>	<u>7,645</u>
Net Assets:		
Unrestricted net assets	211,908	213,161
Temporarily restricted net assets	<u>690,500</u>	<u>102,225</u>
Total net assets	<u>902,408</u>	<u>315,386</u>
Total liabilities and net assets	<u>\$ 934,159</u>	<u>\$ 323,031</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Support and Revenue:		
Service delivery	\$ 346,309	\$ 181,913
Public support and revenues:		
Individual contributions	108,402	123,517
Corporate contributions and grants	104,694	57,804
Special events	37,637	24,846
In-kind contributions	32,020	27,000
Other income	8,500	405
Total public support and revenues	<u>291,253</u>	<u>233,572</u>
Net assets released from restrictions	<u>52,225</u>	<u>45,855</u>
Total unrestricted support and revenues	<u>689,787</u>	<u>461,340</u>
Expenses:		
Program services	415,319	249,946
Management and general	201,713	166,420
Fundraising	74,008	48,385
Total operating expenses	<u>691,040</u>	<u>464,751</u>
Change in unrestricted net assets	<u>(1,253)</u>	<u>(3,411)</u>
Temporarily Restricted Public Support and Revenue:		
Individual contributions	600,000	17,125
Corporate contributions and grants	40,500	75,000
Net assets released from restrictions	<u>(52,225)</u>	<u>(45,855)</u>
Change in temporarily restricted net assets	<u>588,275</u>	<u>46,270</u>
Total change in net assets	587,022	42,859
Net Assets, Beginning of Year	<u>315,386</u>	<u>272,527</u>
Net Assets, End of Year	<u>\$ 902,408</u>	<u>\$ 315,386</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries	\$ 288,160	\$ 138,667	\$ 36,010	\$ 462,837	\$ 330,462
Payroll taxes	<u>29,094</u>	<u>8,716</u>	<u>2,264</u>	<u>40,074</u>	<u>27,801</u>
Total salaries and payroll taxes	317,254	147,383	38,274	502,911	358,263
Event expense	7,501	-0-	29,425	36,926	12,332
Meeting expense	241	2,173	1,837	4,251	1,108
Service delivery	21,049	-0-	-0-	21,049	3,335
Professional fees	2,222	32,236	278	34,736	10,149
Computer software	3,706	-0-	-0-	3,706	-0-
Insurance	13,851	3,463	-0-	17,314	11,454
Depreciation	3,544	5,842	-0-	9,386	8,722
Office expense	792	1,317	1,234	3,343	4,472
Utilities	5,930	1,921	501	8,352	6,993
Auto expense	12,228	-0-	-0-	12,228	8,807
Bad debt expense	6,000	-0-	-0-	6,000	3,118
Advertising	737	49	446	1,232	3,209
Rent	19,170	6,210	1,620	27,000	27,000
Repairs and maintenance	767	248	65	1,080	-0-
Miscellaneous expense	<u>327</u>	<u>871</u>	<u>328</u>	<u>1,526</u>	<u>5,789</u>
	<u>\$ 415,319</u>	<u>\$ 201,713</u>	<u>\$ 74,008</u>	<u>\$ 691,040</u>	<u>\$ 464,751</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 182,046	\$ 118,556	\$ 29,860	\$ 330,462
Payroll taxes	<u>15,847</u>	<u>8,062</u>	<u>3,892</u>	<u>27,801</u>
Total salaries and payroll taxes	197,893	126,618	33,752	358,263
Event expense	2,476	-0-	9,856	12,332
Meeting expense	111	997	-0-	1,108
Service delivery	3,335	-0-	-0-	3,335
Professional fees	1,144	8,724	281	10,149
Insurance	9,163	2,291	-0-	11,454
Depreciation	-0-	8,722	-0-	8,722
Office expense	491	2,486	1,495	4,472
Utilities	-0-	6,993	-0-	6,993
Auto expense	8,807	-0-	-0-	8,807
Bad debt expense	3,118	-0-	-0-	3,118
Advertising	1,722	410	1,077	3,209
Rent	19,170	6,210	1,620	27,000
Miscellaneous expense	<u>2,516</u>	<u>2,969</u>	<u>304</u>	<u>5,789</u>
	<u>\$ 249,946</u>	<u>\$ 166,420</u>	<u>\$ 48,385</u>	<u>\$ 464,751</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 587,022	\$ 42,859
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,386	8,722
Donated equipment	(5,000)	-0-
Allowance for doubtful accounts	(5,761)	5,761
Changes in operating assets and liabilities:		
Accounts receivable	1,899	5,100
Contributions and grants receivable	45,875	(45,725)
Prepaid expenses	2,670	(1,526)
Accounts payable	11,879	-0-
Accrued expenses	3,727	(3,372)
Deferred revenue	8,500	-0-
Net cash provided by operating activities	<u>660,197</u>	<u>11,819</u>
Cash Flows From Investing Activities:		
Purchase of equipment	<u>-0-</u>	<u>(1,820)</u>
Net increase in cash	660,197	9,999
Cash and Cash Equivalents, Beginning of Year	<u>161,915</u>	<u>151,916</u>
Cash and Cash Equivalents, End of Year	<u>\$ 822,112</u>	<u>\$ 161,915</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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 and 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.

Support and Revenue Recognition, 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 \$-0- and \$5,761 for the years ended December 31, 2017 and 2016, 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, 2017 AND 2016

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, contributions and grants receivable, value of donated assets and donated lease space, and useful lives of equipment.

Cash and Cash Equivalents

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

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, 2017, 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, 2014.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Reclassification

Certain amounts in the 2016 financial statements have been reclassified herein to conform to the 2017 presentation.

Subsequent Events

Subsequent events have been evaluated through May 16, 2018, which is the date the financial statements were available for issuance.

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, 2017 and 2016 are expected to be collected as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 31,250	\$ 49,125
One to five years	<u>25,000</u>	<u>53,000</u>
	<u>\$ 56,250</u>	<u>\$ 102,125</u>

3. EQUIPMENT

Equipment at December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 42,275	\$ 42,275
Vehicles	<u>21,520</u>	<u>16,520</u>
	63,795	58,795
Accumulated depreciation	<u>(27,879)</u>	<u>(18,493)</u>
	<u>\$ 35,916</u>	<u>\$ 40,302</u>

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

4. 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, 2017 and 2016.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Future operations	\$ 50,000	\$ 102,125
Building purchase	600,000	-0-
Merici kitchen project	37,500	-0-
Technology project	3,000	-0-
Kitchen supplies	-0-	100
	<u>\$ 690,500</u>	<u>\$ 102,225</u>

6. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions due to the satisfaction of donor-imposed restrictions totaled \$52,225 and \$45,855 for the years ended December 31, 2017 and 2016, respectively. The assets were used for various programs and projects, events and general operations.

7. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2017 and 2016, total contributions of \$633,365 and \$26,818, respectively, were from employees and members of its Board of Directors.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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, 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 program revenues were from one (1) agency.

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. Additionally, 100% of accounts receivable and 99% of program revenues were from one (1) agency.