



THE VILLAGE OF
merici

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



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, 2015 and 2014, 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, 2015 and 2014, 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 11, 2016

THE VILLAGE OF MERICI, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Assets:		
Cash	\$ 151,916	\$ 225,131
Accounts receivable	24,912	7,184
Contributions and grants receivable	56,400	96,200
Prepaid expenses	3,112	2,234
Equipment, net	47,204	46,290
Total assets	<u>\$ 283,544</u>	<u>\$ 377,039</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued expenses	<u>\$ 11,017</u>	<u>\$ 9,699</u>
Net Assets:		
Unrestricted net assets	216,572	271,440
Temporarily restricted net assets	<u>55,955</u>	<u>95,900</u>
Total net assets	<u>272,527</u>	<u>367,340</u>
Total liabilities and net assets	<u>\$ 283,544</u>	<u>\$ 377,039</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Support and Revenue:		
Public support and revenues:		
Build the Village Campaign	\$ -0-	\$ 170,433
Individual contributions	47,429	59,326
Corporate contributions and grants	17,664	43,919
In-kind contributions	<u>36,288</u>	<u>32,518</u>
Total public support and revenues	<u>101,381</u>	<u>306,196</u>
Program Revenues:		
Special events	22,486	27,441
Service delivery	112,099	15,462
Net assets released from restrictions	<u>40,000</u>	<u>10,365</u>
Total program revenues	<u>174,585</u>	<u>53,268</u>
Total unrestricted support and revenues	<u>275,966</u>	<u>359,464</u>
Expenses:		
Program services	192,627	118,873
Management and general	113,555	68,074
Fundraising	<u>24,652</u>	<u>17,222</u>
Total operating expenses	<u>330,834</u>	<u>204,169</u>
Change in unrestricted net assets	<u>(54,868)</u>	<u>155,295</u>
Temporarily Restricted Support and Revenue:		
Individual contributions	55	31,200
Corporate contributions and grants	-0-	65,000
Net assets released from restrictions	<u>(40,000)</u>	<u>(10,365)</u>
Change in temporarily restricted net assets	<u>(39,945)</u>	<u>85,835</u>
Total change in net assets	(94,813)	241,130
Net Assets, Beginning of Year	<u>367,340</u>	<u>126,210</u>
Net Assets, End of Year	<u>\$ 272,527</u>	<u>\$ 367,340</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2015 Total</u>	<u>2014 Total</u>
Salaries	\$ 134,285	\$ 78,333	\$ 11,190	\$ 223,808	\$ 135,048
Payroll taxes	<u>11,861</u>	<u>6,919</u>	<u>989</u>	<u>19,769</u>	<u>13,995</u>
Total salaries and related expenses	146,146	85,252	12,179	243,577	149,043
Event expense	2,033	-0-	8,133	10,166	11,095
Professional fees	4,029	5,145	81	9,255	9,221
Insurance	6,491	1,623	-0-	8,114	2,377
Depreciation	-0-	7,908	-0-	7,908	1,863
Office expense	1,230	3,689	1,230	6,149	9,407
Utilities	4,335	1,445	304	6,084	2,895
Auto expense	5,530	-0-	-0-	5,530	2,661
Bad debt expense	2,643	-0-	-0-	2,643	2,048
Advertising	995	-0-	996	1,991	3,315
Miscellaneous expense	25	2,283	109	2,417	2,034
Loss on sale of other asset	-0-	-0-	-0-	-0-	7,250
Rent	<u>19,170</u>	<u>6,210</u>	<u>1,620</u>	<u>27,000</u>	<u>960</u>
	<u>\$ 192,627</u>	<u>\$ 113,555</u>	<u>\$ 24,652</u>	<u>\$ 330,834</u>	<u>\$ 204,169</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 81,029	\$ 47,267	\$ 6,752	\$ 135,048
Payroll taxes	<u>8,397</u>	<u>4,898</u>	<u>700</u>	<u>13,995</u>
Total salaries and related expenses	89,426	52,165	7,452	149,043
Event expense	2,219	-0-	8,876	11,095
Office expense	7,526	1,410	471	9,407
Professional fees	7,377	1,752	92	9,221
Loss on sale of other asset	-0-	7,250	-0-	7,250
Advertising	2,984	-0-	331	3,315
Utilities	2,171	724	-0-	2,895
Auto expense	2,661	-0-	-0-	2,661
Insurance	1,902	475	-0-	2,377
Bad debt expense	2,048	-0-	-0-	2,048
Depreciation	559	1,304	-0-	1,863
Rent	-0-	960	-0-	960
Miscellaneous expense	<u>-0-</u>	<u>2,034</u>	<u>-0-</u>	<u>2,034</u>
	<u>\$ 118,873</u>	<u>\$ 68,074</u>	<u>\$ 17,222</u>	<u>\$ 204,169</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (94,813)	\$ 241,130
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,908	1,863
Donated equipment	(6,000)	(48,078)
Changes in operating assets and liabilities:		
Accounts receivable	(17,728)	(5,812)
Contributions and grants receivable	39,800	(83,307)
Prepaid expenses	(878)	(2,234)
Accrued expenses	1,318	9,699
Other	-0-	7,250
Net cash provided by (used in) operating activities	<u>(70,393)</u>	<u>120,511</u>
Cash Flows From Investing Activities:		
Purchase of equipment	<u>(2,822)</u>	<u>(75)</u>
Net increase (decrease) in cash	(73,215)	120,436
Cash, Beginning of Year	<u>225,131</u>	<u>104,695</u>
Cash, End of Year	<u>\$ 151,916</u>	<u>\$ 225,131</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

THE VILLAGE OF MERICI, INC. (the “Organization”) is a not-for-profit organization which provides residential opportunities for adults with developmental disabilities that promote a strong sense of community.

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.

In 2014, the Organization established a Build the Village Capital Campaign for the purpose of securing funds needed to build a community for individuals to promote and allow independent development.

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. There was no allowance for doubtful accounts as of December 31, 2015 and 2014.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Statement of Functional Expenses

The prior year financial reporting, including the 2014 issued financial statements, did not segregate the Organization's expenses between Program Services, Management and General, and Fundraising as the Organization had not reached a level of sustained operations. During 2015, the Organization adopted a policy that segregates expenses 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 2014 expenses have now been segregated consistent with the 2015 classifications and allocations as presented in the 2014 statement of functional expenses.

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 and useful lives of equipment.

Equipment and Depreciation

Purchased equipment are 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, 2015, 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, 2012.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Reclassification

Certain amounts in the 2014 financial statements have been reclassified herein to conform to the 2015 presentation.

Subsequent Events

Subsequent events have been evaluated through May 11, 2016, which is the date the financial statements were available for issuance.

2. CONTRIBUTIONS AND GRANTS RECEIVABLE

The Organization recognized all material conditional and unconditional promises to give as support and revenues.

Contributions and grants receivable at December 31, 2015 and 2014 include the following:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 41,400	\$ 40,800
One to five years	<u>15,000</u>	<u>55,400</u>
	<u>\$ 56,400</u>	<u>\$ 96,200</u>

3. EQUIPMENT

Equipment at December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 40,455	\$ 31,633
Vehicles	<u>16,520</u>	<u>16,520</u>
	56,975	48,153
Accumulated depreciation	<u>(9,771)</u>	<u>(1,863)</u>
	<u>\$ 47,204</u>	<u>\$ 46,290</u>

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

4. FACILITY RENT

The Organization rents its facilities from an unrelated third party that donates the rent to the Organization annually. The donation of the rent is included in "In-kind contributions" in the statement of activities and changes in net assets. Rent contributed to the Organization was \$27,000 and \$960 for the years ended December 31, 2015 and 2014, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Future operations	\$ 55,800	\$ 95,800
Kitchen supplies	100	100
Christmas decorations	<u>55</u>	<u>-0-</u>
	<u>\$ 55,955</u>	<u>\$ 95,900</u>

6. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions due to the satisfaction of donor-imposed restrictions totaled \$40,000 and \$10,365 for the years ended December 31, 2015 and 2014, respectively. The assets were used for various programs, events and general operations.

7. 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, 2015 and for the year then ended, 98% of contributions and grants receivable were from four (4) donors.

At December 31, 2014 and for the year then ended, 99% of contributions and grants receivable were from four (4) donors and 39% of support and revenues was from one (1) donor.