



FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



THE VILLAGE OF MERICI, INC.

TABLE OF CONTENTS DECEMBER 31, 2020 AND 2019

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 15



4181 E. 96th Street, Suite 180
Indianapolis, IN 46240
Phone: 317.569.4181
Toll Free: 888.922.4941
www.alerdingcpagroup.cpa

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, 2020 and 2019, 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 controls. 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, 2020 and 2019, 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.

Alerding CPA Group

May 13, 2021

THE VILLAGE OF MERICI, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 1,367,909	\$ 1,032,921
Accounts receivable	30,887	33,168
Pledges receivable	649,500	-0-
Prepaid expenses	1,862	3,049
Property and equipment, net	702,148	88,376
Earnest deposit for building	-0-	50,000
	<u>\$ 2,752,306</u>	<u>\$ 1,207,514</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 6,419	\$ 9,646
Accrued expenses	31,546	21,149
Deferred revenue	-0-	2,800
Other liabilities	1,681	2,228
Total liabilities	<u>39,646</u>	<u>35,823</u>
Net Assets:		
Without donor restrictions	1,291,258	595,897
With donor restrictions	1,421,402	575,794
Total net assets	<u>2,712,660</u>	<u>1,171,691</u>
	<u>\$ 2,752,306</u>	<u>\$ 1,207,514</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTAL FOR 2019)

	2020			2019 <u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Revenue and Support:				
Contract revenues - service delivery	\$ 788,476	\$ -0-	\$ 788,476	\$ 760,568
Contributions:				
Capital campaign	-0-	1,379,500	1,379,500	-0-
Corporate	235,831	-0-	235,831	110,190
Individuals	94,232	15,000	109,232	158,112
Grants	5,000	42,300	47,300	40,500
Forgiveness of note payable	172,743	-0-	172,743	-0-
Special events	28,980	-0-	28,980	141,748
In-kind contributions	32,400	-0-	32,400	65,234
Total contributions	<u>569,186</u>	<u>1,436,800</u>	<u>2,005,986</u>	<u>515,784</u>
Other revenue:				
Other income, net	26,426	-0-	26,426	12,375
Interest income, net	4,176	-0-	4,176	15,433
Total revenue and support	<u>1,388,264</u>	<u>1,436,800</u>	<u>2,825,064</u>	<u>1,304,160</u>
Net Assets Released From Restrictions	<u>591,192</u>	<u>(591,192)</u>	<u>-0-</u>	<u>-0-</u>
	<u>1,979,456</u>	<u>845,608</u>	<u>2,825,064</u>	<u>1,304,160</u>
Expenses:				
Program services	983,823	-0-	983,823	781,737
Management and general	194,557	-0-	194,557	182,404
Fundraising	105,715	-0-	105,715	139,264
Total expenses	<u>1,284,095</u>	<u>-0-</u>	<u>1,284,095</u>	<u>1,103,405</u>
Change in net assets	695,361	845,608	1,540,969	200,755
Net Assets, Beginning of Year	<u>595,897</u>	<u>575,794</u>	<u>1,171,691</u>	<u>970,936</u>
Net Assets, End of Year	<u>\$ 1,291,258</u>	<u>\$ 1,421,402</u>	<u>\$ 2,712,660</u>	<u>\$ 1,171,691</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support:			
Contract revenues - service delivery	\$ 760,568	\$ -0-	\$ 760,568
Contributions:			
Corporate	110,190	-0-	110,190
Individuals	158,112	-0-	158,112
Grants	-0-	40,500	40,500
Special events	141,748	-0-	141,748
In-kind contributions	65,234	-0-	65,234
Total contributions	<u>475,284</u>	<u>40,500</u>	<u>515,784</u>
Other revenue:			
Other income	12,375	-0-	12,375
Interest income, net	15,433	-0-	15,433
Total revenue and support	1,263,660	40,500	1,304,160
Net Assets Released From Restrictions	<u>70,510</u>	<u>(70,510)</u>	<u>-0-</u>
	<u>1,334,170</u>	<u>(30,010)</u>	<u>1,304,160</u>
Expenses:			
Program services	781,737	-0-	781,737
Management and general	182,404	-0-	182,404
Fundraising	139,264	-0-	139,264
Total expenses	<u>1,103,405</u>	<u>-0-</u>	<u>1,103,405</u>
Change in net assets	230,765	(30,010)	200,755
Net Assets, Beginning of Year	<u>365,132</u>	<u>605,804</u>	<u>970,936</u>
Net Assets, End of Year	<u>\$ 595,897</u>	<u>\$ 575,794</u>	<u>\$ 1,171,691</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020				2019 <u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 751,778	\$ 136,461	\$ 56,982	\$ 945,221	\$ 774,438
Payroll taxes	63,149	11,463	4,786	79,398	62,348
Total salaries and payroll taxes	<u>814,927</u>	<u>147,924</u>	<u>61,768</u>	<u>1,024,619</u>	<u>836,786</u>
Event expense	8,475	-0-	29,861	38,336	75,813
Meeting expense	115	1,038	2,971	4,124	5,855
Service delivery	29,869	-0-	-0-	29,869	19,993
Professional fees	11,296	8,832	321	20,449	30,803
Computer software	12,680	-0-	-0-	12,680	6,623
Insurance	31,378	7,844	-0-	39,222	14,809
Depreciation	6,234	7,934	-0-	14,168	14,460
Office expense	5,540	4,504	4,505	14,549	13,738
Utilities	6,428	2,082	543	9,053	9,655
Auto expense	20,866	-0-	676	21,542	30,920
Advertising	1,275	118	563	1,956	7,909
Dues and subscriptions	10,429	-0-	-0-	10,429	511
Rent	19,170	6,210	1,620	27,000	27,000
Repairs and maintenance	4,139	1,341	350	5,830	4,332
Miscellaneous expense	1,002	6,730	2,537	10,269	4,198
	<u>\$ 983,823</u>	<u>\$ 194,557</u>	<u>\$ 105,715</u>	<u>\$ 1,284,095</u>	<u>\$ 1,103,405</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 594,319	\$ 124,212	\$ 55,907	\$ 774,438
Payroll taxes	47,847	10,000	4,501	62,348
Total salaries and payroll taxes	642,166	134,212	60,408	836,786
Event expense	16,377	-0-	59,436	75,813
Meeting expense	185	1,660	4,010	5,855
Service delivery	19,993	-0-	-0-	19,993
Professional fees	4,980	22,727	3,096	30,803
Computer software	6,623	-0-	-0-	6,623
Insurance	11,847	2,962	-0-	14,809
Depreciation	8,844	5,616	-0-	14,460
Office expense	7,054	3,342	3,342	13,738
Utilities	6,855	2,221	579	9,655
Auto expense	30,069	-0-	851	30,920
Advertising	4,140	73	3,696	7,909
Dues and subscriptions	-0-	511	-0-	511
Rent	19,170	6,210	1,620	27,000
Repairs and maintenance	3,076	996	260	4,332
Miscellaneous expense	358	1,874	1,966	4,198
	\$ 781,737	\$ 182,404	\$ 139,264	\$ 1,103,405

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,540,969	\$ 200,755
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,168	14,460
Donated property and equipment	-0-	(8,703)
Loss on disposal of assets	-0-	2,100
Changes in operating assets and liabilities:		
Accounts receivable	2,281	(8,832)
Pledges receivable	(649,500)	25,000
Prepaid expenses	1,187	2,914
Accounts payable	(3,227)	3,385
Accrued expenses	10,397	5,623
Deferred revenue	(2,800)	(2,200)
Other liabilities	(547)	(454)
Net cash provided by operating activities	<u>912,928</u>	<u>234,048</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(577,940)</u>	<u>(21,000)</u>
Net increase	334,988	213,048
Cash and Cash Equivalents, Beginning of Year	<u>1,032,921</u>	<u>819,873</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,367,909</u>	<u>\$ 1,032,921</u>
Supplement Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 377</u>	<u>\$ 476</u>
Non-Cash Investing Activities:		
Purchase of property through use of earnest deposit	<u>\$ 50,000</u>	<u>\$ -0-</u>

See accompanying Notes to Financial Statements.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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. 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. Donor-imposed restrictions are released from restriction and transferred to net assets without donor restrictions in the reporting period the restriction is satisfied or expires. 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.

Revenue and Support Recognition

Contributions are recognized when the donor makes an unconditional promise to give to the Organization either in writing or verbally.

For contracts with customers, the Organization derives its revenues primarily from providing services to individuals. Service revenue is recognized within the month services are performed. Contract revenues are recognized in an amount that reflects the consideration the Organization expects to be entitled to in exchange for services performed. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payment is received at or shortly after the service is performed and billed. Costs incurred to obtain a contract are expensed as incurred.

Disaggregation of Revenues from Contracts with Customers

All of the Organization's revenues for services are from performance obligations satisfied at a point in time and, accordingly, no revenues are from performance obligations satisfied over time.

Performance Obligations

Revenues are recognized at the point in time when the contract performance obligations are satisfied as services are performed for the individuals.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Variable Consideration

The nature of the Organization's business activities and customer contracts does not give rise to significant variables of the total amount of the contract price. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative support and revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

The primary variable consideration for all contracts the Organization enters is the potential for allowances that generally decrease the transaction price which reduces revenue. Although contract consideration adjustments historically have been insignificant, variable amounts are generally credited to the individual through billing adjustments.

Accounts Receivable and Pledges Receivable

Accounts receivable and pledges receivable are reported at the amount invoiced or the amount pledged, 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 as of December 31, 2020 and 2019.

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, pledges receivable, contract billing rates for services performed, the value of donated assets and donated lease space, the useful lives of property and equipment, and the allocation of functional expenses.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 (2) to twenty (20) years utilizing the straight-line method.

In-Kind Contributions

The Organization recognizes in-kind contributions as support, including rent for their administrative office (Note 6) 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, 2020, 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, 2017.

Subsequent Events

Subsequent events have been evaluated through May 13, 2021, which is the date the financial statements were available for issuance (Note 10).

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. LIQUIDITY AND AVAILABILITY

At December 31, 2020 and 2019, financial assets available for future general expenditures within one year from the date of the Statements of Financial Position consist of the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 1,367,909	\$ 1,032,921
Accounts receivable	30,887	33,168
Pledges receivable	<u>649,500</u>	<u>-0-</u>
Total financial assets	2,048,296	1,066,089
Less donor restricted funds not available to be used within one year:	<u>(1,421,402)</u>	<u>(575,794)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 626,894</u>	<u>\$ 490,295</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's liquidity objectives are to maintain adequate liquid assets to fund near-term operating needs and maintain sufficient reserves to provide reasonable assurance that long-term obligations will be paid when due.

3. CONTRACT ASSETS

As of December 31, 2020 and 2019, the Organization had no contract liabilities. The Organization's contract assets as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Accounts receivable:		
Beginning of the year	\$ 33,168	\$ 24,336
End of year	\$ 30,887	\$ 33,168

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

4. PLEDGES RECEIVABLE

As of December 31, 2020, the Organization has raised \$1,379,500 through payments of cash and pledges for the Village of Merici, Inc. Capital Campaign for the purpose of building rehabilitation. As of and for the year ended December 31, 2020, the Organization incurred \$16,316 of building start-up costs that are capitalized and reported as construction in progress (Note 5).

Pledges receivable at December 31, 2020 are expected to be collected as follows:

Less than one year	\$ 441,500
One to five years	<u>208,000</u>
	<u>\$ 649,500</u>

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 169,000	\$ -0-
Leasehold improvements	40,502	38,880
Furniture and fixtures	45,879	45,878
Vehicles	49,520	49,520
Construction in process	<u>457,316</u>	<u>-0-</u>
	762,217	134,278
Accumulated depreciation	<u>(60,069)</u>	<u>(45,902)</u>
	<u>\$ 702,148</u>	<u>\$ 88,376</u>

6. FACILITY RENT

The Organization's facility is provided 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 each of the years ended December 31, 2020 and 2019.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 1,363,184	\$ -0-
Time restriction	15,000	-0-
Building purchase	-0-	560,000
Health Matters	26,752	294
Book Club	7,300	-0-
Music Therapy Health Matters	3,248	5,000
Merici City Rides	4,120	10,500
Merici kitchen project	1,798	-0-
	<u>\$ 1,421,402</u>	<u>\$ 575,794</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 \$591,192 and \$70,510 were released from restrictions during the years ended December 31, 2020 and 2019, respectively.

8. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2020 and 2019, contributions aggregating \$690,970 and \$49,985, respectively, were contributed from employees and members of the Organization's Board of Directors.

9. 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.

THE VILLAGE OF MERICI, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Accounts and Pledges Receivable and Revenue and Support

At December 31, 2020 and for the year then ended, 79% of pledges receivable were from three (3) donors, 96% of accounts receivable were from one (1) agency, 37% of non-service revenue and support was from two (2) donors, and 99% of service revenues were from one (1) agency.

At December 31, 2019 and for the year then ended, 95% of accounts receivable and 99% of service revenues were from one (1) agency.

10. SUBSEQUENT EVENTS

During April 2020, the Organization borrowed \$171,200 from a bank under the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). Under the terms of the program, a portion or all of the loan is forgivable if the Organization maintains certain criteria. On March 9, 2021, the Organization was notified the SBA approved full forgiveness for the principal loan amount of \$171,200 plus accrued interest of \$1,543. As all conditions were met as of December 31, 2020, the forgiveness has been recognized as of December 31, 2020 as reflected in the accompanying financial statements. The Organization recorded \$172,743 as a contribution for the year ending December 31, 2020.