# IMMACOLATA MANOR

## YEARS ENDED JUNE 30, 2011 AND 2010

HOUSE PARK & DOBRATZ, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**IMMACOLATA MANOR**

YEARS ENDED JUNE 30, 2011 AND 2010

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# Independent Auditors' Report

Board of Directors
Immacolata Manor
Kansas City, Missouri

We have audited the accompanying statement of financial position of Immacolata Manor (the Organization) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Immacolata Manor as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*House Park & Dobratz, P.C.*

September 22, 2011

**IMMACOLATA MANOR**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

ASSETS

| | 2011 | 2010 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 403,222 | $ 399,863 |
| Accounts receivable | 238,396 | 222,642 |
| Current portion of pledges receivable (Note 2) | 53,820 | |
| Prepaid expenses | 20,663 | |
| Total current assets | 716,101 | 622,505 |
| Certificate of deposit (Note 6) | 20,287 | 19,870 |
| Pledges receivable, less current portion (Note 2) | 86,940 | |
| Investments (Note 3) | 36,669 | 27,870 |
| Property and equipment (Note 4) | 876,205 | 951,317 |
| | $ 1,736,202 | $ 1,621,562 |

LIABILITIES AND NET ASSETS

| | 2011 | 2010 |
|---|---|---|
| Current liabilities: | | |
| Current portion of note payable (Note 6) | $ 6,472 | $ 6,228 |
| Accounts payable, operations | 11,461 | 21,148 |
| Accounts payable, residents | 3,351 | 6,509 |
| Accrued payroll-related expenses and withholdings | 73,097 | 73,913 |
| Total current liabilities | 94,381 | 107,798 |
| Note payable, less current portion (Note 6) | 1,123 | 7,561 |
| Net assets (Note 5): | | |
| Unrestricted: | | |
| Available for general activities | 1,387,223 | 1,457,387 |
| Board-designated endowment | 207,521 | |
| | 1,594,744 | 1,457,387 |
| Temporarily restricted | 15,954 | 18,816 |
| Permanently restricted | 30,000 | 30,000 |
| Total net assets | 1,640,698 | 1,506,203 |
| | $ 1,736,202 | $ 1,621,562 |

See notes to financial statements.

**IMMACOLATA MANOR**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2011 AND 2010

| | 2011 | 2010 |
|---|---|---|
| Unrestricted net assets: | | |
| Revenues and other support | | |
| Program services | $ 2,414,203 | $ 2,251,989 |
| Contributions | 371,482 | 250,275 |
| Donations from Thrift Store | 100,000 | 97,000 |
| Interest and dividend income | 3,251 | 2,681 |
| Net realized and unrealized gains on investments (Note 3) | 5,336 | 2,399 |
| Other (Note 8) | 17,825 | 15,859 |
| Net assets released from restriction | 19,446 | 30,032 |
| | 2,931,543 | 2,650,235 |
| Expenses: | | |
| Program services | 2,483,670 | 2,273,627 |
| Management and general | 225,580 | 226,172 |
| Fundraising | 84,936 | 74,805 |
| | 2,794,186 | 2,574,604 |
| Increase in unrestricted net assets | 137,357 | 75,631 |
| Temporarily restricted net assets: | | |
| Contributions | 16,584 | 17,994 |
| Net assets released from restriction | ( 19,446) | ( 30,032) |
| Decrease in temporarily restricted net assets | ( 2,862) | ( 12,038) |
| Increase in net assets | 134,495 | 63,593 |
| Net assets, beginning of year | 1,506,203 | 1,442,610 |
| Net assets, end of year | $ 1,640,698 | $ 1,506,203 |

See notes to financial statements.

**IMMACOLATA MANOR**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

| | Program services | Management and general | Fundraising | Total |
|---|---|---|---|---|
| Salaries | $ 1,653,719 | $ 154,273 | $ 43,498 | $ 1,851,490 |
| Benefits (Note 7) | 228,003 | 21,269 | 5,996 | 255,268 |
| Payroll taxes | 153,433 | 14,314 | 4,036 | 171,783 |
| Conferences and meetings | 3,890 | | | 3,890 |
| Food costs | 57,028 | | | 57,028 |
| Insurance | 27,073 | 3,008 | | 30,081 |
| Equipment repairs and maintenance | 33,422 | 3,714 | | 37,136 |
| Building repairs and maintenance | 18,376 | 2,042 | | 20,418 |
| Utilities | 28,137 | 3,234 | 970 | 32,341 |
| Postage | 1,389 | 160 | 48 | 1,597 |
| Marketing and public relations | | | 26,553 | 26,553 |
| Professional services | | 8,576 | | 8,576 |
| Staff recognition | 4,038 | | | 4,038 |
| Office supplies | 6,522 | 750 | 225 | 7,497 |
| Other program expenses | 38,325 | | | 38,325 |
| Telephone | 24,705 | 2,840 | 852 | 28,397 |
| Auto expense | 25,106 | | | 25,106 |
| Depreciation | 79,963 | 9,191 | 2,758 | 91,912 |
| Laundry and housekeeping | 6,079 | | | 6,079 |
| Housing expense | 64,824 | | | 64,824 |
| Interest (Note 6) | 453 | | | 453 |
| Other | 29,185 | 2,209 | | 31,394 |
| | $ 2,483,670 | $ 225,580 | $ 84,936 | $ 2,794,186 |

See notes to financial statements.

**IMMACOLATA MANOR**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

| | Program services | Management and general | Fundraising | Total |
|---|---|---|---|---|
| Salaries | $ 1,497,084 | $ 159,939 | $ 40,643 | $ 1,697,666 |
| Benefits (Note 7) | 210,598 | 22,501 | 5,739 | 238,838 |
| Payroll taxes | 112,173 | 11,196 | 3,098 | 126,467 |
| Conferences and meetings | 9,563 | | | 9,563 |
| Food costs | 61,392 | | | 61,392 |
| Insurance | 27,627 | 3,070 | | 30,697 |
| Equipment repairs and maintenance | 33,734 | 3,748 | | 37,482 |
| Building repairs and maintenance | 8,716 | 968 | | 9,684 |
| Utilities | 24,385 | 2,803 | 841 | 28,029 |
| Postage | 1,712 | 197 | 59 | 1,968 |
| Marketing and public relations | | | 21,266 | 21,266 |
| Professional services | | 9,807 | | 9,807 |
| Staff recognition | 11,402 | | | 11,402 |
| Office supplies | 5,953 | 684 | 205 | 6,842 |
| Other program expenses | 69,081 | | | 69,081 |
| Telephone | 20,632 | 2,371 | 711 | 23,714 |
| Auto expense | 25,889 | | | 25,889 |
| Depreciation | 65,050 | 7,477 | 2,243 | 74,770 |
| Laundry and housekeeping | 6,785 | | | 6,785 |
| Housing expense | 62,565 | | | 62,565 |
| Interest (Note 6) | 581 | | | 581 |
| Other | 18,705 | 1,411 | | 20,116 |
| | $ 2,273,627 | $ 226,172 | $ 74,805 | $ 2,574,604 |

See notes to financial statements.

**IMMACOLATA MANOR**

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

| | 2011 | 2010 |
|---|---|---|
| Cash flows from operating activities: | | |
| Increase in net assets | $ 134,495 | $ 63,593 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 91,912 | 74,770 |
| Realized capital (gains) losses | ( 419) | 72 |
| Unrealized capital gains | ( 4,917) | ( 2,471) |
| Change in: | | |
| Accounts receivable | ( 15,754) | ( 28,170) |
| Pledges receivable | ( 140,760) | |
| Prepaid expenses | ( 20,663) | |
| Accounts payable, operations | ( 9,687) | ( 1,696) |
| Accounts payable, residents | ( 3,158) | 3,086 |
| Accrued payroll-related expenses and withholdings | ( 816) | 11,296 |
| Net cash provided by operating activities | 30,233 | 120,480 |
| Cash flows from investing activities: | | |
| Increase in certificate of deposit | ( 417) | ( 19,870) |
| (Purchase) redemption of investments, net | ( 3,463) | 183,276 |
| Purchase of property and equipment | ( 16,800) | ( 71,435) |
| Net cash provided (used) by investing activities | ( 20,680) | 91,971 |
| Cash flows from financing activities, payments on note payable | ( 6,194) | ( 4,986) |
| Increase in cash | 3,359 | 207,465 |
| Cash, beginning of year | 399,863 | 192,398 |
| Cash, end of year | $ 403,222 | $ 399,863 |
| *Supplemental disclosure of cash flow information:* | | |
| Cash paid for interest | $ 453 | $ 581 |
| Purchase of property and equipment with note payable | | $ 18,775 |

See notes to financial statements.

## 1. Organization and summary of significant accounting policies:

*Organization:*

Immacolata Manor (the Organization) provides residential and day habilitation services for individuals with developmental disabilities, regardless of their race, religion, or economic background. The Organization's programs are designed to maximize individual development, enabling each resident to live as independently as possible. The Missouri Department of Mental Health provides funding for most of the group home residents. The Organization is also supported through direct donor contributions and the Immacolata Manor Thrift Store, a separate nonprofit organization.

*Basis of accounting:*

Unrestricted net assets:

The unrestricted net assets represent resources over which the Organization's Directors have discretionary control and are used to carry out operations of the Organization. Unrestricted Board-designated net assets represent amounts designated by the Board as an endowment to provide support to the Organization in future years.

Temporarily restricted net assets:

Temporarily restricted net assets represent resources available for use currently or in the future, but expendable only for purposes specified by the donor or within a donor-designated time period.

Permanently restricted net assets:

Permanently restricted net assets are those contributions whose use by the Organization is limited by donor-imposed stipulations that the corpus be held in perpetuity. The earnings from these net assets are available for use as specified by the donor.

*Use of estimates:*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Concentration of risk:*

The Organization derives a significant portion of its revenues from the State Medicaid program. Accounts receivable are due primarily from the State Medicaid program as of June 30, 2011 and 2010. Management does not believe there is any significant business or collection risk.

## 1. Organization and summary of significant accounting policies (continued):

*Pledges receivable:*

Pledges receivable represent unconditional pledges from individuals and companies arising from the Organization's fund-raising campaign. The allowance for uncollectible pledges is estimated based on a review of outstanding pledges, collection information and existing economic conditions.

*Property and equipment and depreciation:*

Property, plant and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. The Organization capitalizes asset additions greater than $1,000 that have a useful life of more than one year.

Gifts of long-lived assets such as property or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

*Investments and concentrations of credit risk:*

Investments consist of the Organization's share of pooled funds that include money market, fixed income, equities and alternative investments. Investments in the pooled funds are stated at fair value as determined by investment custodians. Cost is determined by purchase price or fair value at the time of donation, if donated.

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these risks, it is at least reasonably possible that changes in risk could occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

The Organization maintains its primary bank accounts at institutions where non-interest bearing accounts are insured by the Federal Deposit Insurance Corporation's (FDIC). This unlimited insurance coverage is in effect through December 31, 2012.

*Expense allocation:*

Expenses that are directly identifiable are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

## 1. Organization and summary of significant accounting policies (continued):

*Cash and cash equivalents:*

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with maturities of three months or less to be cash equivalents.

*Income taxes:*

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's current accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. The Organization has no uncertain tax positions for the years ended June 30, 2011 and 2010 and is not aware of any violation of its tax status as an organization exempt from income taxes. The Organization is no longer subject to audits for periods prior to fiscal 2008.

*Reclassification:*

Certain prior year balances have been reclassified to conform with the current year's presentation.

*Subsequent events:*

Subsequent events have been evaluated through September 22, 2011, which is the date the financial statements were available to be issued.

## 2. Pledges receivable:

As of June 30, 2011, pledges receivable are scheduled for payment as follows:

| Year ending June 30, | Amount |
|---|---|
| 2012 | $ 53,820 |
| 2013 | 53,100 |
| 2014 | 17,631 |
| 2015 | 14,935 |
| 2016 | 9,935 |
| Thereafter | 1,276 |
| | 150,697 |
| Less allowance for uncollectible pledges | 5,509 |
| Less unamortized discount | 4,428 |
| | 140,760 |
| Less current portion | 53,820 |
| | $ 86,940 |

**2. Pledges receivable (continued):**

Pledges due more than one year from June 30, 2011 have been discounted at 3.25%

The Organization has also received conditional pledges as of June 30, 2011 that have not been recorded in the financial statements. These pledges will be recognized as revenue at such time as the related conditions have been met. These conditional pledges totaled $76,000 as of June 30, 2011.

**3. Investments:**

Investments represent funds held at the Greater Kansas City Community Foundation and include the permanently restricted funds and a portion of the Board-designated funds (Note 5). The following is a summary of investments as of June 30, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Money market | $ 61 | $ 47 |
| Fixed income | 11,009 | 8,606 |
| Equities | 21,828 | 16,310 |
| Alternative investments | 3,771 | 2,907 |
| | $ 36,669 | $ 27,870 |

The Organization values investments at fair value. Fair value is defined as the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs including quoted prices in active markets for similar assets and Level 3 inputs consist of unobservable inputs that are supported by little or no market activity and have the lowest priority.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

As of June 30, 2010 and 2011, the Organization's investments were in pooled funds and were within Level 2 of the fair value hierarchy.

## 3. Investments (continued):

Interest and dividend income on investments for the years ended June 30, 2011 and 2010 was $694 and $1,377, respectively. A summary of the realized and unrealized gains and losses for the years ended June 30, 2011 and 2010 is as follows:

| | 2011 | 2010 |
|---|---|---|
| Realized gains (losses) | $ 419 | ($ 72) |
| Unrealized gains | 4,917 | 2,471 |
| | $ 5,336 | $ 2,399 |

## 4. Property and equipment:

| | 2011 | 2010 |
|---|---|---|
| Land | $ 114,029 | $ 114,029 |
| Building and improvements | 1,621,769 | 1,621,769 |
| Machinery and equipment | 73,670 | 64,470 |
| Office furniture and equipment | 232,911 | 230,111 |
| Vehicles | 245,915 | 241,115 |
| | 2,288,294 | 2,271,494 |
| Accumulated depreciation | ( 1,412,089) | ( 1,320,177) |
| | $ 876,205 | $ 951,317 |

## 5. Net assets:

*Board-designated nets assets:*

The Organization's Board-designated net assets represent amounts from donations that have been set aside by the Board for purposes of establishing an endowment to support the Organization in the future. A summary of activity during fiscal 2011 is as follows:

| | |
|---|---|
| Contributions received | $ 66,761 |
| Pledges receivable, net | 140,760 |
| | $ 207,521 |

As of June 30, 2011, the cash collected has been included in "cash and cash equivalents" and "investments" in the statement of financial position.

## 5. Net assets (continued):

*Temporarily restricted net assets:*

Temporarily restricted net assets include funds held for the following as of June 30, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Program expenses | $ 5,150 | $ 9,057 |
| Resident expenses | 10,804 | 9,759 |
| | $ 15,954 | $ 18,816 |

*Permanently restricted net assets:*

The Organization's permanently restricted net assets consist of funds set aside to establish a permanent endowment. The Organization's policy requires the preservation of the fair value as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as permanently restricted net assets the original value of the gifts to the permanent endowment, the fair value of any subsequent gifts to the endowment fund, and any accumulations required to be made by donor stipulation. Amounts in excess of the stated values of permanently restricted funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor required the Organization to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature would be appropriated from unrestricted funds. As of June 30, 2010, there were deficiencies of $2,130. There were no deficiencies as of June 30, 2011.

## 6. Note payable:

The Organization has a note payable in connection with financing a van that is being used by a specific resident. The note requires monthly payments of $555 including interest at 4.1%. The note is collateralized by a certificate of deposit. Future principal payment requirements as of June 30, 2011 are summarized as follows:

| Year ending June 30, | Amount |
|---|---|
| 2012 | $ 6,472 |
| 2013 | 1,123 |
| | $ 7,595 |

All interest costs have been expensed.

**7. Retirement plan:**

The Organization has a SIMPLE IRA retirement plan. Full-time employees with at least one year of service are eligible for the plan which provides for a 3% employer contribution. Retirement plan expense under the Simple IRA plan was $17,398 and $16,634 for the years ended June 30, 2011 and 2010, respectively.

**8. Related party:**

The Organization provides management, accounting and maintenance services for Immacolata Manor Homes, Inc., the housing project it sponsors through an agreement with the Department of Housing and Urban Development. The Organization and Immacolata Manor Homes, Inc. are related by virtue of a common Board of Directors. The revenue from these services was $16,938 and $15,859 for the years ended June 30, 2011 and 2010, respectively.