

IMMACOLATA MANOR
YEARS ENDED JUNE 30, 2012 AND 2011



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

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HOUSE PARK & DOBRATZ, P.C.
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Independent Auditors' Report

Board of Directors
Immacolata Manor
Kansas City, Missouri

We have audited the accompanying statements of financial position of Immacolata Manor (the Organization) as of June 30, 2012 and 2011, 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, 2012 and 2011, 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 6, 2012

IMMACOLATA MANOR

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 480,263	\$ 336,461
Accounts receivable	246,292	238,396
Current portion of pledges receivable (Note 2)	77,634	53,820
Prepaid expenses		<u>20,663</u>
Total current assets	<u>804,189</u>	<u>649,340</u>
Certificate of deposit (Note 6)	20,714	20,287
Board-designated cash (Note 5)	238,032	66,761
Pledges receivable, less current portion (Note 2)	67,713	86,940
Investments (Note 3)	36,413	36,669
Property and equipment (Note 4)	<u>831,953</u>	<u>876,205</u>
	<u>\$ 1,999,014</u>	<u>\$ 1,736,202</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of note payable (Note 6)	\$ 1,120	\$ 6,472
Accounts payable, operations	53,366	11,461
Accounts payable, residents	4,049	3,351
Accrued payroll-related expenses and withholdings	<u>99,388</u>	<u>73,097</u>
Total current liabilities	<u>157,923</u>	<u>94,381</u>
Note payable, less current portion (Note 6)	<u>--</u>	<u>1,123</u>
Net assets (Note 5):		
Unrestricted:		
Available for general activities	1,409,430	1,387,223
Board-designated endowment	<u>383,379</u>	<u>207,521</u>
	1,792,809	1,594,744
Temporarily restricted	18,282	15,954
Permanently restricted	<u>30,000</u>	<u>30,000</u>
Total net assets	<u>1,841,091</u>	<u>1,640,698</u>
	<u>\$ 1,999,014</u>	<u>\$ 1,736,202</u>

See notes to financial statements.

IMMACOLATA MANOR

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Unrestricted net assets:		
Revenues and other support:		
Program services	\$ 2,726,805	\$ 2,414,203
Contributions	380,741	371,482
Donations from Thrift Store	120,000	100,000
Interest and dividend income	5,516	3,251
Net realized and unrealized gains (losses)		
on investments (Note 3)	(639)	5,336
Other (Note 8)	17,037	17,825
Net assets released from restriction	<u>11,102</u>	<u>19,446</u>
	<u>3,260,562</u>	<u>2,931,543</u>
Expenses:		
Program services	2,779,925	2,483,670
Management and general	189,606	225,580
Fundraising	<u>92,966</u>	<u>84,936</u>
	<u>3,062,497</u>	<u>2,794,186</u>
Increase in unrestricted net assets	<u>198,065</u>	<u>137,357</u>
Temporarily restricted net assets:		
Contributions	13,430	16,584
Net assets released from restriction	<u>(11,102)</u>	<u>(19,446)</u>
Increase (decrease) in temporarily		
restricted net assets	<u>2,328</u>	<u>(2,862)</u>
Increase in net assets	200,393	134,495
Net assets, beginning of year	<u>1,640,698</u>	<u>1,506,203</u>
Net assets, end of year	<u>\$ 1,841,091</u>	<u>\$ 1,640,698</u>

See notes to financial statements.

IMMACOLATA MANOR

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,824,173	\$ 121,068	\$ 44,252	\$ 1,989,493
Benefits (Note 7)	325,386	21,645	7,806	354,837
Payroll taxes	146,692	9,758	3,519	159,969
Auto expense	28,111			28,111
Building repairs and maintenance	10,025	1,114		11,139
Conferences and meetings	7,092			7,092
Depreciation	75,363	8,662	2,599	86,624
Equipment repairs and maintenance	45,215	5,024		50,239
Food costs	56,926			56,926
Housing expense	61,705			61,705
Insurance	32,653	3,628		36,281
Interest (Note 6)	187			187
Laundry and housekeeping	7,472			7,472
Marketing and public relations			32,632	32,632
Office supplies	6,465	743	223	7,431
Other program expenses	52,166			52,166
Other	36,659	2,758		39,417
Postage	1,766	203	61	2,030
Professional services		8,756		8,756
Staff recognition	7,526			7,526
Telephone	26,418	3,037	911	30,366
Utilities	27,925	3,210	963	32,098
	<u>\$ 2,779,925</u>	<u>\$ 189,606</u>	<u>\$ 92,966</u>	<u>\$ 3,062,497</u>
	<u>90.8%</u>	<u>6.2%</u>	<u>3.0%</u>	<u>100.0%</u>

See notes to financial statements.

IMMACOLATA MANOR

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
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
Auto expense	25,106			25,106
Building repairs and maintenance	18,376	2,042		20,418
Conferences and meetings	3,890			3,890
Depreciation	79,963	9,191	2,758	91,912
Equipment repairs and maintenance	33,422	3,714		37,136
Food costs	57,028			57,028
Housing expense	64,824			64,824
Insurance	27,073	3,008		30,081
Interest (Note 6)	453			453
Laundry and housekeeping	6,079			6,079
Marketing and public relations			26,553	26,553
Office supplies	6,522	750	225	7,497
Other program expenses	38,325			38,325
Other	29,185	2,209		31,394
Postage	1,389	160	48	1,597
Professional services		8,576		8,576
Staff recognition	4,038			4,038
Telephone	24,705	2,840	852	28,397
Utilities	28,137	3,234	970	32,341
	<u>\$ 2,483,670</u>	<u>\$ 225,580</u>	<u>\$ 84,936</u>	<u>\$ 2,794,186</u>
	<u>88.9%</u>	<u>8.1%</u>	<u>3.0%</u>	<u>100.0%</u>

See notes to financial statements.

IMMACOLATA MANOR

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ 200,393	\$ 134,495
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	86,624	91,912
Realized capital (gains) losses	430	(419)
Unrealized capital (gains) losses	209	(4,917)
Loss on retirement of equipment	1,175	
Change in:		
Accounts receivable	(7,896)	(15,754)
Pledges receivable	(4,587)	(140,760)
Prepaid expenses	20,663	(20,663)
Accounts payable, operations	41,905	(9,687)
Accounts payable, residents	698	(3,158)
Accrued payroll-related expenses and withholdings	26,291	(816)
Net cash provided by operating activities	<u>365,905</u>	<u>30,233</u>
Cash flows from investing activities:		
Increase in certificate of deposit	(427)	(417)
Increase in board-designed cash	(171,271)	(66,761)
Purchase of investments	(383)	(3,463)
Purchase of property and equipment	(43,547)	(16,800)
Net cash used by investing activities	<u>(215,628)</u>	<u>(87,441)</u>
Cash flows from financing activities, payments on note payable	<u>(6,475)</u>	<u>(6,194)</u>
Increase (decrease) in cash	143,802	(63,402)
Cash, beginning of year	<u>336,461</u>	<u>399,863</u>
Cash, end of year	<u>\$ 480,263</u>	<u>\$ 336,461</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for interest	<u>\$ 187</u>	<u>\$ 453</u>

See notes to financial statements.

IMMACOLATA MANOR

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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 through the State Medicaid program. Accounts receivable are due primarily from the State Medicaid program as of June 30, 2012 and 2011. Management does not believe there is any significant business or collection risk.

IMMACOLATA MANOR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

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:

The Organization accounts for pooled investment funds at the Greater Kansas City Community Foundation at fair value. The underlying holdings in these funds are valued by the respective managers or custodians using quoted market prices for publicly traded securities and fair value for other investments using methodologies relevant to each asset class. The valuations are routinely evaluated by management, and management believes such values are reasonable.

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 value 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 fully 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.

IMMACOLATA MANOR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

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, 2012 and 2011 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 2009.

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 6, 2012, which is the date the financial statements were available to be issued.

2. Pledges receivable:

As of June 30, 2012, pledges receivable are scheduled for collection as follows:

Year ending <u>June 30,</u>	<u>Amount</u>
2013	\$ 77,634
2014	61,342
2015	13,100
2016	9,103
2017	760
Thereafter	<u>1,000</u>
	162,939
Less allowance for uncollectible pledges	8,405
Less unamortized discount	<u>9,187</u>
	145,347
Less current portion	<u>77,634</u>
	<u>\$ 67,713</u>

IMMACOLATA MANOR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

2. Pledges receivable (continued):

Pledges due more than one year from June 30, 2012 have been discounted at 3.25%.

The Organization has also received conditional pledges as of June 30, 2012 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, 2012.

3. Investments:

Investments represent funds held at the Greater Kansas City Community Foundation and include the permanently restricted funds and a portion of the unrestricted funds. The following is a summary of investments as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Money market	\$ 1,747	\$ 61
Fixed income	10,703	11,009
Equities	20,271	21,828
Alternative investments	<u>3,692</u>	<u>3,771</u>
	<u>\$ 36,413</u>	<u>\$ 36,669</u>

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.

Units in pooled investment funds at the Greater Kansas City Community Foundation are reported at net asset value as a practical expedient to estimate the fair value of the Organization's interest therein. Classification of these funds as Level 2 is based on the Organization's ability to redeem its interest at or near the date of the statement of financial position. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

As of June 30, 2012 and 2011, the Organization's investments were in pooled funds and were within Level 2 of the fair value hierarchy.

IMMACOLATA MANOR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

3. Investments (continued):

Interest and dividend income on investments for the years ended June 30, 2012 and 2011 was \$738 and \$694, respectively. A summary of the realized and unrealized gains and losses for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Realized gains (losses)	(\$ 430)	\$ 419
Unrealized gains (losses)	(209)	<u>4,917</u>
	<u>(\$ 639)</u>	<u>\$ 5,336</u>

4. Property and equipment:

	<u>2012</u>	<u>2011</u>
Land	\$ 114,029	\$ 114,029
Building and improvements	1,621,769	1,621,769
Machinery and equipment	83,311	73,670
Office furniture and equipment	228,396	232,911
Vehicles	<u>260,865</u>	<u>245,915</u>
	2,308,370	2,288,294
Accumulated depreciation	(1,476,417)	(1,412,089)
	<u>\$ 831,953</u>	<u>\$ 876,205</u>

5. Net assets:

Board-designated net 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. Board-designated net assets comprise the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Board-designated cash	\$ 238,032	\$ 66,761
Pledges receivable, net	<u>145,347</u>	<u>140,760</u>
	<u>\$ 383,379</u>	<u>\$ 207,521</u>

IMMACOLATA MANOR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

5. Net assets (continued):

Temporarily restricted net assets:

Temporarily restricted net assets include funds held for the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Program expenses	\$ 6,241	\$ 5,150
Resident expenses	5,784	10,804
Capital improvements	<u>6,257</u>	<u> </u>
	<u>\$ 18,282</u>	<u>\$ 15,954</u>

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. There were no deficiencies as of June 30, 2012 or 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% and is scheduled to be paid in full in fiscal 2013. The note is collateralized by a certificate of deposit. All interest costs have been expensed.

7. Retirement plan:

The Organization has a Simple IRA 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 Plan was \$16,444 and \$17,398 for the years ended June 30, 2012 and 2011, respectively.

IMMACOLATA MANOR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

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 \$16,985 and \$16,938 for the years ended June 30, 2012 and 2011, respectively.