

IMMACOLATA MANOR AND AFFILIATE
YEARS ENDED JUNE 30, 2013 AND 2012



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

IMMACOLATA MANOR AND AFFILIATE

YEARS ENDED JUNE 30, 2013 AND 2012

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Independent Auditors' Report

Board of Directors
Immacolata Manor
Liberty, Missouri

Report on the Financial Statements

We have audited the accompanying combined financial statements of Immacolata Manor and Affiliate (the Organization), which comprise the combined statements of financial position as of June 30, 2013 and 2012, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 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.

(continued)

Independent Auditors' Report (continued)

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Immacolata Manor and Affiliate as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the 2013 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures, in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary data is fairly stated in all material respects in relation to the combined financial statements as a whole.

House Park Dobratz & Wiebler, P.C.

Kansas City, Missouri
October 16, 2013

IMMACOLATA MANOR AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 192,695	\$ 490,668
Accounts receivable	404,719	248,756
Current portion of pledges receivable (Note 2)	41,142	77,634
Prepaid expenses	2,990	
Total current assets	<u>641,546</u>	<u>817,058</u>
Certificate of deposit (Note 7)	20,878	20,714
Board-designated cash (Note 6)	328,199	238,032
Pledges receivable, less current portion (Note 2)	27,155	67,713
Investments (Note 4)	40,336	36,413
Funds held in escrow (Note 3)	122,986	123,277
Property and equipment (Note 5)	1,933,116	1,736,691
Tenant security deposits	4,177	3,760
	<u>\$ 3,118,393</u>	<u>\$ 3,043,658</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of notes payable (Note 7)	\$ 9,627	\$ 1,120
Accounts payable, operations	110,290	68,455
Accounts payable, residents	9,152	7,809
Deferred revenue	5,033	
Accrued payroll-related expenses and withholdings	133,312	99,388
Total current liabilities	<u>267,414</u>	<u>176,772</u>
Note payable, less current portion (Note 7)	<u>1,622</u>	
Commitment (Note 10)		
Net assets (Notes 6 and 8):		
Unrestricted:		
Available for general activities	2,405,170	2,435,225
Board-designated endowment	396,496	383,379
	<u>2,801,666</u>	<u>2,818,604</u>
Temporarily restricted	17,691	18,282
Permanently restricted	30,000	30,000
Total net assets	<u>2,849,357</u>	<u>2,866,886</u>
	<u>\$ 3,118,393</u>	<u>\$ 3,043,568</u>

See notes to financial statements.

IMMACOLATA MANOR AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Program services	\$ 3,163,329			\$ 3,163,329
Rent revenue	24,104			24,104
Contributions	193,120	\$ 13,797		206,917
Donations from Thrift Store	92,252			92,252
Interest and dividend income	1,949	652		2,601
Net realized and unrealized gains on investments (Note 4)	359	3,226		3,585
Other	296			296
Net assets released from restriction	<u>18,266</u>	<u>(18,266)</u>		
	<u>3,493,675</u>	<u>(591)</u>		<u>3,493,084</u>
Program services	3,194,502			3,194,502
Management and general	228,597			228,597
Fundraising	<u>87,514</u>			<u>87,514</u>
	<u>3,510,613</u>			<u>3,510,613</u>
Change in net assets	(16,938)	(591)		(17,529)
Net assets, beginning of year	<u>2,818,604</u>	<u>18,282</u>	<u>\$ 30,000</u>	<u>2,866,886</u>
Net assets, end of year	<u>\$ 2,801,666</u>	<u>\$ 17,691</u>	<u>\$ 30,000</u>	<u>\$ 2,849,357</u>

See notes to financial statements.

IMMACOLATA MANOR AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Program services	\$ 2,726,805			\$ 2,726,805
Rent revenue	8,078			8,078
Contributions	380,741	\$ 13,430		394,171
Donations from Thrift Store	120,000			120,000
Interest and dividend income	5,376	664		6,040
Net realized and unrealized losses on investments (Note 4)	(64)	(575)		(639)
Other	52			52
Net assets released from restriction	<u>11,191</u>	<u>(11,191)</u>		
	<u>3,252,179</u>	<u>2,328</u>		<u>3,254,507</u>
Program services	2,797,807			2,797,807
Management and general	199,386			199,386
Fundraising	92,966			92,966
	<u>3,090,159</u>			<u>3,090,159</u>
Change in net assets	162,020	2,328		164,348
Net assets, beginning of year	<u>2,656,584</u>	<u>15,954</u>	<u>\$ 30,000</u>	<u>2,702,538</u>
Net assets, end of year	<u>\$ 2,818,604</u>	<u>\$ 18,282</u>	<u>\$ 30,000</u>	<u>\$ 2,866,886</u>

See notes to financial statements.

IMMACOLATA MANOR AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,200,892	\$ 147,449	\$ 47,475	\$ 2,395,816
Benefits (Note 9)	292,823	19,755	6,054	318,632
Payroll taxes	175,121	11,814	3,621	190,556
Auto expense	39,937			39,937
Building repairs and maintenance	20,862	2,318		23,180
Conferences and meetings	5,724			5,724
Depreciation	122,205	8,339	2,501	133,045
Equipment repairs and maintenance	41,359	4,596		45,955
Food costs	57,845			57,845
Housing expense	16,943			16,943
Insurance	47,861	4,566		52,427
Interest (Note 7)	260			260
Laundry and housekeeping	7,046			7,046
Marketing and public relations			25,338	25,338
Office supplies	9,648	4,332	333	14,313
Other program expenses	40,307			40,307
Other	26,777	2,017		28,794
Postage	1,795	206	62	2,063
Professional services		16,100		16,100
Staff recognition	4,812			4,812
Telephone	30,377	3,492	1,047	34,916
Utilities	51,908	3,613	1,083	56,604
	<u>\$ 3,194,502</u>	<u>\$ 228,597</u>	<u>\$ 87,514</u>	<u>\$ 3,510,613</u>
	<u>91.0%</u>	<u>6.5%</u>	<u>2.5%</u>	<u>100.0%</u>

See notes to financial statements.

IMMACOLATA MANOR AND AFFILIATE
COMBINED 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 9)	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	121,233	8,662	2,599	132,494
Equipment repairs and maintenance	45,215	5,024		50,239
Food costs	56,926			56,926
Housing expense	9,230			9,230
Insurance	39,423	3,628		43,051
Interest (Note 7)	187			187
Laundry and housekeeping	7,472			7,472
Marketing and public relations			32,632	32,632
Office supplies	6,465	3,623	223	10,311
Other program expenses	52,166			52,166
Other	36,659	2,758		39,417
Postage	1,766	203	61	2,030
Professional services		15,656		15,656
Staff recognition	7,526			7,526
Telephone	26,418	3,037	911	30,366
Utilities	45,642	3,210	963	49,815
	<u>\$ 2,797,807</u>	<u>\$ 199,386</u>	<u>\$ 92,966</u>	<u>\$ 3,090,159</u>
	<u>90.5%</u>	<u>6.5%</u>	<u>3.0%</u>	<u>100.0%</u>

See notes to financial statements.

IMMACOLATA MANOR AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	(\$ 17,529)	\$ 164,348
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	133,045	132,494
Realized (gains) losses on investments	(638)	430
Unrealized (gains) losses on investments	(2,947)	209
Loss on retirement of equipment		1,175
Change in:		
Accounts receivable	(155,963)	(8,567)
Pledges receivable	77,050	(4,587)
Prepaid expenses	(2,990)	20,663
Accounts payable, operations	41,835	46,777
Accounts payable, residents and tenant security deposits	926	698
Deferred revenue	5,033	
Accrued payroll-related expenses and withholdings	33,924	26,291
Net cash provided by operating activities	<u>111,746</u>	<u>379,931</u>
Cash flows from investing activities:		
Increase in certificate of deposit	(164)	(427)
Increase in board-designed cash	(90,167)	(171,271)
Purchase of investments	(338)	(383)
Decrease in funds held in escrow	291	5,666
Purchase of property and equipment	(310,470)	(66,990)
Net cash used by investing activities	<u>(400,848)</u>	<u>(233,405)</u>
Cash flows from financing activities, payments on notes payable	(8,871)	(6,475)
Increase (decrease) in cash and cash equivalents	(297,973)	140,051
Cash and cash equivalents, beginning of year	<u>490,668</u>	<u>350,617</u>
Cash and cash equivalents, end of year	<u>\$ 192,695</u>	<u>\$ 490,668</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for interest	<u>\$ 260</u>	<u>\$ 187</u>
Property and equipment addition financed with note payable	<u>\$ 19,000</u>	

See notes to financial statements.

IMMACOLATA MANOR AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

1. Organization and summary of significant accounting policies:

Organization:

Immacolata Manor (the Manor) 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 Manor is also supported through direct donor contributions and the Immacolata Manor Thrift Store, a separate nonprofit organization.

Immacolata Manor Homes, Inc. (the Project) is related to the Manor by virtue of the same Boards of Directors. The Project consists of four group homes located in Liberty, Missouri, which are for persons with developmental disabilities. Three homes have four units, and one home has six units. The homes were constructed from funds provided by a capital advance under Section 811 of the National Affordable Housing Act and are regulated by the U.S. Department of Housing and Urban Development (HUD). The Project receives Project Rental Assistance under a 40-year contract with HUD. Project Rental Assistance covers the difference between the HUD-approved operating cost per unit and the amount the tenant pays, which is determined in accordance with HUD regulations.

Principles of combination:

The financial statements include the accounts of the Manor and the Project (hereinafter collectively referred to as the Organization). All intercompany accounts have been eliminated.

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.

IMMACOLATA MANOR AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012

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

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, 2013 and 2012. Management does not believe there is any significant business or collection risk.

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 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.

IMMACOLATA MANOR AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

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

Investments and concentrations of credit risk (continued):

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 deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances periodically exceed insured limits.

Deferred revenue:

Deferred revenue results from rents collected in advance.

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.

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 Manor and Project are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's 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, 2013 and 2012 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 2010.

Reclassification:

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

Subsequent events:

Subsequent events have been evaluated through October 16, 2013, which is the date the financial statements were available to be issued.

IMMACOLATA MANOR AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012

2. Pledges receivable:

As of June 30, 2013, pledges receivable are scheduled for collection as follows:

Year ending <u>June 30,</u>	<u>Amount</u>
2014	\$ 41,142
2015	25,214
2016	8,562
2017	760
2018	260
Thereafter	<u>610</u>
	76,548
Less allowance for uncollectible pledges	6,163
Less unamortized discount	<u>2,088</u>
	68,297
Less current portion	<u>41,142</u>
	<u><u>\$ 27,155</u></u>

Pledges due more than one year from June 30, 2013 have been discounted at 3.25%.

The Organization has also received conditional pledges as of June 30, 2013 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, 2013.

3. Funds held in escrow and reserve:

Funds held in escrow and reserve as of June 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Reserve for replacements	\$ 59,667	\$ 60,138
Capital investment	8,499	8,444
Residual receipts	<u>54,820</u>	<u>54,695</u>
	<u><u>\$ 122,986</u></u>	<u><u>\$ 123,277</u></u>

(a) Reserve for replacements:

According to the terms of the regulatory agreement with HUD, the Organization is required to make specified monthly deposits in a restricted bank account. All disbursements from this fund are restricted for the replacement and maintenance of rental property and require prior written approval from HUD.

IMMACOLATA MANOR AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

3. Funds held in escrow and reserve (continued):

(b) *Capital investment:*

The Organization was required to establish a capital investment fund in connection with the capital advance (Note 8). These funds are available to the Project for property operations and maintenance.

(c) *Residual receipts:*

The regulatory agreement also requires the Organization to fund certain, defined amounts in a residual receipts account after each operating period. Withdrawals from the account are required to be approved in writing by HUD.

4. 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Money market	\$ 2,004	\$ 1,747
Fixed income	12,023	10,703
Equities	21,988	20,271
Alternative investments	<u>4,321</u>	<u>3,692</u>
	<u>\$ 40,336</u>	<u>\$ 36,413</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.

As of June 30, 2013 and 2012, the Organization's investments were in pooled funds and were within Level 2 of the fair value hierarchy.

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.

IMMACOLATA MANOR AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

4. Investments (continued):

Interest and dividend income on investments for the years ended June 30, 2013 and 2012 was \$725 and \$738, respectively. A summary of the realized and unrealized gains and losses for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Realized gains (losses)	\$ 638	(\$ 430)
Unrealized gains (losses)	<u>2,947</u>	<u>(209)</u>
	<u>\$ 3,585</u>	<u>(\$ 639)</u>

5. Property and equipment:

	<u>2013</u>	<u>2012</u>
Land	\$ 164,625	\$ 164,625
Building and improvements	3023,546	2,797,370
Machinery and equipment	95,467	83,311
Office furniture and equipment	344,390	310,906
Vehicles	<u>316,165</u>	<u>260,865</u>
	3,944,193	3,617,077
Accumulated depreciation	<u>(2,011,077)</u>	<u>(1,880,386)</u>
	<u>\$ 1,933,116</u>	<u>\$ 1,736,691</u>

6. 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Board-designated cash	\$ 328,199	\$ 238,032
Pledges receivable, net	<u>68,297</u>	<u>145,347</u>
	<u>\$ 396,496</u>	<u>\$ 383,379</u>

IMMACOLATA MANOR AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

6. Net assets (continued):

Temporarily restricted net assets:

Temporarily restricted net assets include funds held for the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Program expenses	\$ 6,537	\$ 3,489
Resident expenses	3,078	5,784
Capital improvements	1,793	6,257
Restricted endowment	<u>6,283</u>	<u>2,752</u>
	<u>\$ 17,691</u>	<u>\$ 18,282</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.

A summary of activity in the permanent endowment for the years ended June 30, 2013 and 2012 follows:

	<u>2013</u>		<u>2012</u>	
	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
Balances, beginning	\$ 2,752	\$ 30,000	\$ 2,983	\$ 30,000
Interest and dividends	652		664	
Realized and unrealized gains (losses)	3,226		(575)	
Expenses	(347)		(320)	
Balances, ending	<u>\$ 6,283</u>	<u>\$ 30,000</u>	<u>\$ 2,752</u>	<u>\$ 30,000</u>

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, 2013 or 2012.

IMMACOLATA MANOR AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

7. Notes payable:

	<u>2013</u>	<u>2012</u>
Note payable, bank, monthly payments of \$814 including interest at 2.652% maturing in 2014, collateralized by certificate of deposit	\$ 11,249	
Note payable, bank, paid in fiscal 2013	<u>11,249</u>	<u>\$1,120</u>
Less current portion	<u>9,627</u>	<u>1,120</u>
	<u>\$ 1,622</u>	<u>\$ --</u>

All interest costs have been expensed.

8. Capital advance:

The capital advance provided by HUD under Section 811 was to construct the homes. The total advance of \$1,240,200 bears no interest and need not be repaid so long as the group home units remain available as housing for very low-income, developmentally disabled persons for at least 40 years. Failure to keep the housing available for very low-income, developmentally disabled persons would result in HUD taking possession of the property, or declaring the indebtedness immediately due and payable and proceeding with foreclosure of the mortgage. The capital advance is included in net assets in the accompanying financial statements as it is unlikely that it will be required to be repaid.

9. 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 \$25,540 and \$16,444 for the years ended June 30, 2013 and 2012, respectively.

10. Lease:

Subsequent to year-end, the Organization entered into a five-year building lease for purposes of expanding the day services program. Minimum payments under the lease are summarized as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 11,613
2015	39,753
2016	42,657
2017	45,336
2018	48,018
2019	<u>4,020</u>
	<u>\$ 191,397</u>

SUPPLEMENTARY INFORMATION

IMMACOLATA MANOR AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

	Immacolata Manor	Immacolata Manor Homes, Inc.	Eliminations	Combined totals
Current assets:				
Cash and cash equivalents	\$ 186,331	\$ 6,364		\$ 192,695
Accounts receivable	402,020	2,699		404,719
Current portion of pledges receivable	41,142			41,142
Prepaid expenses	2,990			2,990
Total current assets	<u>632,483</u>	<u>9,063</u>		<u>641,546</u>
Certificate of deposit	20,878			20,878
Board-designated cash	328,199			328,199
Pledges receivable, less current portion	27,155			27,155
Investments	40,336			40,336
Funds held in escrow		122,986		122,986
Property and equipment	1,072,736	860,380		1,933,116
Tenant security deposits		4,177		4,177
	<u>\$ 2,121,787</u>	<u>\$ 996,606</u>		<u>\$ 3,118,393</u>

LIABILITIES AND NET ASSETS

Current liabilities:			
Current portion of notes payable	\$ 9,627		\$ 9,627
Accounts payable, operations	99,963	\$ 10,327	110,290
Accounts payable, residents	4,975	4,177	9,152
Deferred revenue		5,033	5,033
Accrued payroll-related expenses and withholdings	133,312		133,312
Total current liabilities	<u>247,877</u>	<u>19,537</u>	<u>267,414</u>
Note payable, less current portion	<u>1,622</u>		<u>1,622</u>
Net assets:			
Unrestricted:			
Available for general activities	1,428,101	977,069	2,405,170
Board-designated endowment	396,496		396,496
	<u>1,824,597</u>	<u>977,069</u>	<u>2,801,666</u>
Temporarily restricted	17,691		17,691
Permanently restricted	30,000		30,000
Total net assets	<u>1,872,288</u>	<u>977,069</u>	<u>2,849,357</u>
	<u>\$ 2,121,787</u>	<u>\$ 996,606</u>	<u>\$ 3,118,393</u>

IMMACOLATA MANOR AND AFFILIATE

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS – UNRESTRICTED FUNDS

JUNE 30, 2013

	<u>Immacolata Manor</u>	<u>Immacolata Manor Homes, Inc.</u>	<u>Eliminations</u>	<u>Combined totals</u>
Program services	\$ 3,163,329			\$ 3,163,329
Rent revenue		\$ 65,427	(\$ 41,323)	24,104
Contributions	193,120			193,120
Donations from Thrift Store	92,252			92,252
Interest and dividend income	1,639	310		1,949
Net realized and unrealized gains on investments	359			359
Other	16,748		(16,452)	296
Net assets released from restriction	<u>18,266</u>			<u>18,266</u>
	<u>3,485,713</u>	<u>65,737</u>	<u>(57,775)</u>	<u>3,493,675</u>
 Program services	 3,148,137	 95,172	 (48,807)	 3,194,502
Management and general	218,274	19,291	(8,968)	228,597
Fundraising	<u>87,514</u>			<u>87,514</u>
	<u>3,453,925</u>	<u>114,463</u>	<u>(57,775)</u>	<u>3,510,613</u>
 Change in net assets	 31,788	 (48,726)		 (16,938)
Net assets, beginning of year	<u>1,792,809</u>	<u>1,025,795</u>		<u>2,818,604</u>
Net assets, end of year	<u>\$ 1,824,597</u>	<u>\$ 977,069</u>	<u>\$ --</u>	<u>\$ 2,801,666</u>