

IMMACOLATA MANOR AND AFFILIATE
YEARS ENDED JUNE 30, 2014 AND 2013



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

IMMACOLATA MANOR AND AFFILIATE

YEARS ENDED JUNE 30, 2014 AND 2013

CONTENTS

	Page
Independent auditors' report	1-2
Combined financial statements:	
Statements of financial position	3
Statement of activities and changes in net assets – 2014	4
Statement of activities and changes in net assets – 2013	5
Statement of functional expenses – 2014	6
Statement of functional expenses – 2013	7
Statements of cash flows	8
Notes to financial statements	9-16
Supplementary information (2014):	
Combining statement of financial position	17
Combining statement of activities and changes in net assets – unrestricted funds	18



HOUSE PARK DOBRATZ & WIEBLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

STANLEY H. HOUSE
STEPHEN M. PARK
MICHAEL A. DOBRATZ
STEVEN V. WIEBLER

605 WEST 47TH STREET • SUITE 301
KANSAS CITY, MISSOURI 64112
TEL. (816) 931-3393
FAX: (816) 931-9636

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, 2014 and 2013, 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, 2014 and 2013, 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 2014 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
September 18, 2014

IMMACOLATA MANOR AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 296,211	\$ 192,695
Accounts receivable	340,825	404,719
Current portion of pledges receivable (Note 2)	26,182	41,142
Prepaid expenses	<u>2,990</u>	<u>2,990</u>
Total current assets	666,208	641,546
Certificate of deposit (Note 7)	21,014	20,878
Board-designated cash (Note 6)	369,840	328,199
Pledges receivable, less current portion (Note 2)	24,195	27,155
Investments (Note 4)	46,030	40,336
Funds held in escrow (Note 3)	96,965	122,986
Property and equipment (Note 5)	1,843,002	1,933,116
Tenant security deposits	<u>4,180</u>	<u>4,177</u>
	<u>\$ 3,071,434</u>	<u>\$ 3,118,393</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of note payable (Note 7)	\$ 1,617	\$ 9,627
Accounts payable, operations	31,458	110,290
Accounts payable, residents	8,870	9,152
Deferred revenue	4,913	5,033
Accrued payroll-related expenses and withholdings	<u>164,817</u>	<u>133,312</u>
Total current liabilities	211,675	267,414
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	2,342,850	2,405,170
Board-designated endowment	<u>420,217</u>	<u>396,496</u>
	2,763,067	2,801,666
Temporarily restricted	66,692	17,691
Permanently restricted	<u>30,000</u>	<u>30,000</u>
Total net assets	<u>2,859,759</u>	<u>2,849,357</u>
	<u>\$ 3,071,434</u>	<u>\$ 3,118,393</u>

See notes to combined financial statements.

IMMACOLATA MANOR AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Program services	\$ 3,837,307			\$ 3,837,307
Rent revenue	9,245			9,245
Contributions	151,764	\$ 54,881		206,645
Donations from Thrift Store	88,000			88,000
Interest and dividend income	1,452	772		2,224
Net realized and unrealized gains on investments (Note 4)	917	4,353		5,270
Net assets released from restriction	<u>11,005</u>	<u>(11,005)</u>		
	<u>4,099,690</u>	<u>49,001</u>		<u>4,148,691</u>
Program services	3,753,561			3,753,561
Management and general	294,347			294,347
Fundraising	<u>90,381</u>			<u>90,381</u>
	<u>4,138,289</u>			<u>4,138,289</u>
Change in net assets	(38,599)	49,001		10,402
Net assets, beginning of year	<u>2,801,666</u>	<u>17,691</u>	<u>\$ 30,000</u>	<u>2,849,357</u>
Net assets, end of year	<u>\$ 2,763,067</u>	<u>\$ 66,692</u>	<u>\$ 30,000</u>	<u>\$ 2,859,759</u>

See notes to combined 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 combined financial statements.

IMMACOLATA MANOR AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,558,991	\$ 194,449	\$ 56,418	\$ 2,809,858
Benefits (Note 9)	315,260	23,878	6,921	346,059
Payroll taxes	197,855	14,986	4,344	217,185
Auto expense	48,435			48,435
Building repairs and maintenance	23,191	2,577		25,768
Conferences and meetings	8,490			8,490
Depreciation	151,174	10,934	3,280	165,388
Equipment repairs and maintenance	42,595	4,733		47,328
Food costs	57,780			57,780
Housing expense	42,293			42,293
Insurance	56,386	5,429		61,815
Interest (Note 7)	181			181
Laundry and housekeeping	5,831	670	201	6,702
Marketing and public relations			16,162	16,162
Office supplies	8,162	4,934	281	13,377
Other program expenses	47,766			47,766
Other	79,499	5,985		85,484
Postage	2,162	249	74	2,485
Professional services		16,520		16,520
Staff recognition	6,788			6,788
Telephone	34,849	4,006	1,201	40,056
Utilities	<u>65,873</u>	<u>4,997</u>	<u>1,499</u>	<u>72,369</u>
	<u>\$ 3,753,561</u>	<u>\$ 294,347</u>	<u>\$ 90,381</u>	<u>\$ 4,138,289</u>
	<u>90.7%</u>	<u>7.1%</u>	<u>2.2%</u>	<u>100.0%</u>

See notes to combined 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	<u>51,908</u>	<u>3,613</u>	<u>1,083</u>	<u>56,604</u>
	<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 combined financial statements.

IMMACOLATA MANOR AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,402	(\$ 17,529)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	165,388	133,045
Realized gains on investments	(6,729)	(638)
Unrealized (gains) losses on investments	1,459	(2,947)
Change in:		
Accounts receivable	63,894	(155,963)
Pledges receivable	17,920	77,050
Prepaid expenses		(2,990)
Accounts payable, operations	(78,832)	41,835
Accounts payable, residents and tenant security deposits	(285)	926
Deferred revenue	(120)	5,033
Accrued payroll-related expenses and withholdings	31,505	33,924
Net cash provided by operating activities	<u>204,602</u>	<u>111,746</u>
Cash flows from investing activities:		
Increase in certificate of deposit	(136)	(164)
Increase in board-designed cash	(41,641)	(90,167)
Purchase of investments	(424)	(338)
Decrease in funds held in escrow	26,021	291
Purchase of property and equipment	(75,274)	(310,470)
Net cash used by investing activities	<u>(91,454)</u>	<u>(400,848)</u>
Cash flows from financing activities, payments on notes payable	(9,632)	(8,871)
Increase (decrease) in cash and cash equivalents	103,516	(297,973)
Cash and cash equivalents, beginning of year	<u>192,695</u>	<u>490,668</u>
Cash and cash equivalents, end of year	<u>\$ 296,211</u>	<u>\$ 192,695</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for interest	<u>\$ 181</u>	<u>\$ 260</u>
Property and equipment addition financed with note payable		<u>\$ 19,000</u>

See notes to combined financial statements.

IMMACOLATA MANOR AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

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. Donor-restricted contributions or grants whose restrictions are met in the same reporting year are reported as unrestricted support.

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, 2014 AND 2013

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, 2014 and 2013. 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, 2014 AND 2013

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, 2014 and 2013 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 2011.

Subsequent events:

Subsequent events have been evaluated through September 18, 2014, 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, 2014 AND 2013

2. Pledges receivable:

As of June 30, 2014, pledges receivable are scheduled for collection as follows:

Year ending June 30,	Amount
2015	\$ 26,182
2016	14,203
2017	18,653
2018	260
2019	610
	<u>59,908</u>
Less allowance for uncollectible pledges	7,265
Less unamortized discount	<u>2,266</u>
	50,377
Less current portion	<u>26,182</u>
	<u>\$ 24,195</u>

Pledges due more than one year from June 30, 2014 have been discounted at 3.25%.

The Organization has also received conditional pledges as of June 30, 2014 that have not been recorded in the combined financial statements. These pledges will be recognized as revenue at such time as the related conditions have been met. These conditional pledges totaled \$251,000 as of June 30, 2014. The conditional pledges include a grant of \$175,000 for renovations that is contingent upon the Organization raising an additional \$325,000.

3. Funds held in escrow and reserve:

Funds held in escrow and reserve as of June 30, 2014 and 2013, are as follows:

	2014	2013
Reserve for replacements	\$ 42,056	\$ 59,667
Capital investment		8,499
Residual receipts	<u>54,909</u>	<u>54,820</u>
	<u>\$ 96,965</u>	<u>\$ 122,986</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. The Organization was \$2,213 in arrears in its monthly depository requirements as of June 30, 2014.

IMMACOLATA MANOR AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

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). The requirement to maintain these reserve funds has expired and the funds were transferred to the unrestricted operating funds in fiscal 2014.

(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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Money market	\$ 2,235	\$ 2,004
Fixed income	13,648	12,023
Equities	25,600	21,988
Alternative investments	<u>4,547</u>	<u>4,321</u>
	<u>\$ 46,030</u>	<u>\$ 40,336</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, 2014 and 2013, 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, 2014 AND 2013

4. Investments (continued):

Interest and dividend income on investments for the years ended June 30, 2014 and 2013 was \$858 and \$725, respectively. A summary of the realized and unrealized gains and losses for the years ended June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Realized gains	\$ 6,729	\$ 638
Unrealized gains (losses)	(1,459)	<u>2,947</u>
	<u>\$ 5,270</u>	<u>\$ 3,585</u>

5. Property and equipment:

	<u>2014</u>	<u>2013</u>
Land	\$ 164,625	\$ 164,625
Building and improvements	3,038,514	3,023,546
Machinery and equipment	95,467	95,467
Office furniture and equipment	377,696	344,390
Vehicles	<u>343,165</u>	<u>316,165</u>
	4,019,467	3,944,193
Accumulated depreciation	<u>2,176,465</u>	<u>2,011,077</u>
	<u>\$ 1,843,002</u>	<u>\$ 1,933,116</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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Board-designated cash	\$ 369,840	\$ 328,199
Pledges receivable, net	<u>50,377</u>	<u>68,297</u>
	<u>\$ 420,217</u>	<u>\$ 396,496</u>

IMMACOLATA MANOR AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

6. Net assets (continued):

Temporarily restricted net assets:

Temporarily restricted net assets include funds held for the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Program expenses	\$ 7,305	\$ 6,537
Resident expenses	5,151	3,078
Capital improvements	44,293	1,793
Restricted endowment	<u>9,943</u>	<u>6,283</u>
	<u>\$ 66,692</u>	<u>\$ 17,691</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, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
Balances, beginning	\$ 6,283	\$ 30,000	\$ 2,752	\$ 30,000
Interest and dividends	772		652	
Realized and unrealized gains	4,353		3,226	
Expenses	(1,465)		(347)	
Balances, ending	<u>\$ 9,943</u>	<u>\$ 30,000</u>	<u>\$ 6,283</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, 2014 or 2013.

IMMACOLATA MANOR AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

7. Note payable:

	<u>2014</u>	<u>2013</u>
Note payable, bank, monthly payments of \$814 including interest at 2.652% maturing in 2015, collateralized by certificate of deposit	\$ 1,617	\$ 11,249
Less current portion	<u>1,617</u>	<u>9,627</u>
	<u>\$ --</u>	<u>\$ 1,622</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 \$26,210 and \$25,540 for the years ended June 30, 2014 and 2013, respectively.

10. Lease:

The Organization entered into a five-year building lease expiring January 2018, for purposes of expanding the day services program. Minimum payments under the lease are summarized as follows:

Year ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 40,200
2016	42,880
2017	45,560
2018	<u>28,140</u>
	<u>\$ 156,780</u>

SUPPLEMENTARY INFORMATION

IMMACOLATA MANOR AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

	Immacolata Manor	Immacolata Manor Homes, Inc.	Eliminations	Combined totals
Current assets:				
Cash and cash equivalents	\$ 289,761	\$ 6,450		\$ 296,211
Accounts receivable	338,883	1,942		340,825
Current portion of pledges receivable	26,182			26,182
Prepaid expenses	2,990			2,990
Total current assets	<u>657,816</u>	<u>8,392</u>		<u>666,208</u>
Certificate of deposit	21,014			21,014
Board-designated cash	369,840			369,840
Pledges receivable, less current portion	24,195			24,195
Investments	46,030			46,030
Funds held in escrow		96,965		96,965
Property and equipment	1,018,242	824,760		1,843,002
Tenant security deposits		4,180		4,180
	<u>\$ 2,137,137</u>	<u>\$ 934,297</u>		<u>\$ 3,071,434</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Current portion of notes payable	\$ 1,617			\$ 1,617
Accounts payable, operations	22,344	\$ 9,114		31,458
Accounts payable, residents	4,690	4,180		8,870
Deferred revenue		4,913		4,913
Accrued payroll-related expenses and withholdings	164,817			164,817
Total current liabilities	<u>193,468</u>	<u>18,207</u>		<u>211,675</u>
Net assets:				
Unrestricted:				
Available for general activities	1,426,760	916,090		2,342,850
Board-designated endowment	420,217			420,217
	<u>1,846,977</u>	<u>916,090</u>		<u>2,763,067</u>
Temporarily restricted	66,692			66,692
Permanently restricted	30,000			30,000
Total net assets	<u>1,943,669</u>	<u>916,090</u>		<u>2,859,759</u>
	<u>\$ 2,137,137</u>	<u>\$ 934,297</u>		<u>\$ 3,071,434</u>

IMMACOLATA MANOR AND AFFILIATE

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

JUNE 30, 2014

	Immacolata Manor	Immacolata Manor Homes, Inc.	Eliminations	Combined totals
Program services	\$ 3,837,307			\$ 3,837,307
Rent revenue		\$ 71,082	(\$ 61,837)	9,245
Contributions	151,764			151,764
Donations from Thrift Store	88,000			88,000
Interest and dividend income	1,250	202		1,452
Net realized and unrealized gains on investments	917			917
Other	16,751		(16,751)	
Net assets released from restriction	11,005			11,005
	<u>4,106,994</u>	<u>71,284</u>	<u>(78,588)</u>	<u>4,099,690</u>
Program services	3,719,552	102,932	(68,923)	3,753,561
Management and general	283,236	20,776	(9,665)	294,347
Fundraising	90,381			90,381
	<u>4,093,169</u>	<u>123,708</u>	<u>(78,588)</u>	<u>4,138,289</u>
Change in net assets	13,825	(52,424)		(38,599)
Net assets, beginning of year	1,824,597	977,069		2,801,666
Transfer	<u>8,555</u>	<u>(8,555)</u>		
Net assets, end of year	<u>\$ 1,846,977</u>	<u>\$ 916,090</u>	<u>\$ --</u>	<u>\$ 2,763,067</u>