

IGNATIAN LAY VOLUNTEER CORPORATION

AUDITED FINANCIAL STATEMENTS

FOR THE 15 MONTHS ENDED SEPTEMBER 30, 2014

IGNATIAN LAY VOLUNTEER CORPORATION

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Independent Auditors' Report

Board of Directors
Ignatian Lay Volunteer Corporation

We have audited the accompanying financial statements of Ignatian Lay Volunteer Corporation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the fifteen-month period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ignatian Lay Volunteer Corporation as of September 30, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the fifteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Weyrich, Cronin & Sarra, Cttd.

Lutherville, MD
DATE TBD

IGNATIAN LAY VOLUNTEER CORPORATION

Statement of Financial Position
September 30, 2014

ASSETS

CURRENT ASSETS

Cash	\$	75,315
Accounts receivable, net of allowance for doubtful accounts of \$20,000		275,700
Prepaid expenses		15,478
TOTAL CURRENT ASSETS		<u>366,493</u>

PROPERTY AND EQUIPMENT

Computer equipment		25,598
Website development costs		24,800
		<u>50,398</u>
Less: accumulated depreciation		(50,398)
TOTAL PROPERTY AND EQUIPMENT		<u>- 0 -</u>

OTHER ASSETS

Trademark		3,612
TOTAL OTHER ASSETS		<u>3,612</u>

TOTAL ASSETS

\$ 370,105

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	100,554
Benefactor loans payable		150,000
Deferred revenue		458,920
TOTAL CURRENT LIABILITIES		<u>709,474</u>

LONG TERM LIABILITIES

Benefactor loan payable		50,000
TOTAL LONG TERM LIABILITIES		<u>50,000</u>

TOTAL LIABILITIES

759,474

NET ASSETS

Unrestricted		(389,369)
		<u>(389,369)</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 370,105

See accompanying notes to financial statements

IGNATIAN LAY VOLUNTEER CORPORATION

Statement of Activities and Changes in Net Assets
For the 15 Months Ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
PARTNERSHIP FEES	<u>\$ 585,030</u>	<u>\$ - 0 -</u>	<u>\$ 585,030</u>
FUNDRAISING			
Jesuit Provinces	48,078	- 0 -	48,078
Foundations	109,900	- 0 -	109,900
Annual appeal	175,269	- 0 -	175,269
Major gifts	56,994	- 0 -	56,994
Events	114,484	- 0 -	114,484
Board gifts	123,135	- 0 -	123,135
Jesuit Communities	26,660	- 0 -	26,660
Magnify campaign	198,211	- 0 -	198,211
Released from restrictions	<u>95,032</u>	<u>(95,032)</u>	<u>- 0 -</u>
TOTAL FUNDRAISING	<u>947,763</u>	<u>(95,032)</u>	<u>852,731</u>
OTHER			
Investment income	<u>241</u>	<u>- 0 -</u>	<u>241</u>
TOTAL SUPPORT AND REVENUE	<u>1,533,034</u>	<u>(95,032)</u>	<u>1,438,002</u>
EXPENSES			
Program services	1,271,123	- 0 -	1,271,123
Management and general	531,148	- 0 -	531,148
Fundraising	<u>140,424</u>	<u>- 0 -</u>	<u>140,424</u>
TOTAL EXPENSES	<u>1,942,695</u>	<u>- 0 -</u>	<u>1,942,695</u>
CHANGE IN NET ASSETS	(409,661)	(95,032)	(504,693)
NET ASSETS AT BEGINNING OF YEAR	<u>20,292</u>	<u>95,032</u>	<u>115,324</u>
NET ASSETS AT END OF YEAR	<u>\$ (389,369)</u>	<u>\$ - 0 -</u>	<u>\$ (389,369)</u>

See accompanying notes to financial statements

IGNATIAN LAY VOLUNTEER CORPORATION

Statement of Functional Expenses
For the 15 Months Ended September 30, 2014

	Program Services	Management and General	Fund- raising	Total
Salaries	\$ 904,795	\$ 213,175	\$ 36,923	\$ 1,154,893
Employee benefits and taxes	148,823	40,038	2,825	191,686
	<u>1,053,618</u>	<u>253,213</u>	<u>39,748</u>	<u>1,346,579</u>
Meetings & retreats	83,656	30,861	6,536	121,053
Occupancy expenses	21,205	12,625	- 0 -	33,830
Office supplies, books & equipment	24,004	14,689	- 0 -	38,693
Printing and promotion	12,882	12,782	4,840	30,504
Travel & transportation	18,508	3,182	- 0 -	21,690
Depreciation and amortization	- 0 -	6,288	- 0 -	6,288
Telephone & internet	9,815	7,115	- 0 -	16,930
Professional fees	41,005	164,189	89,300	294,494
Postage & shipping	4,593	4,685	- 0 -	9,278
Miscellaneous	1,837	5,520	- 0 -	7,357
Insurance	- 0 -	15,999	- 0 -	15,999
	<u>\$ 1,271,123</u>	<u>\$ 531,148</u>	<u>\$ 140,424</u>	<u>\$ 1,942,695</u>

See accompanying notes to the financial statements

IGNATIAN LAY VOLUNTEER CORPORATION

Statement of Cash Flows
For the 15 Months Ended September 30, 2014

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (504,693)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	6,288
Increase in accounts receivable, net of allowance for doubtful accounts	(259,789)
Increase in prepaid expenses	(3,018)
Increase in accounts payable and accrued expenses	42,002
Increase in deferred revenue	<u>428,520</u>
Net cash used in operating activities	<u>(290,690)</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from benefactor loans	<u>150,000</u>
Net cash provided by financing activities	<u>150,000</u>
NET DECREASE IN CASH	(140,690)
CASH AT BEGINNING OF YEAR	<u>216,005</u>
CASH AT END OF YEAR	<u><u>\$ 75,315</u></u>

See accompanying notes to financial statements

IGNATIAN LAY VOLUNTEER CORPORATION

Notes to Financial Statements
September 30, 2014

1. Summary of Significant Accounting Policies

Organization and Nature of Activities - Ignatian Lay Volunteer Corporation (d/b/a Ignatian Volunteer Corps) is a religious nonprofit Maryland corporation whose purpose is to provide men and women age 50 and over the opportunity to serve the needs of people who are poor, to work for a more just society, and to grow deeper in Christian faith by reflecting and praying in the Ignatian tradition. The Organization was founded by Jesuits of the Maryland Province in response to General Congregation 34 of the Society of Jesus. It is firmly committed to maintaining its Ignatian character and its strong ties to the Society of Jesus.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect receivables, payables, and other liabilities. As such, revenues are recognized when earned and expenditures when incurred.

Basis of Presentation - The Organization follows the presentation requirements that all contributions received or made are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Unrestricted: accounts for net assets without donor imposed restrictions that are available for the support of the Organization.

Temporarily restricted: accounts for net assets that have donor imposed restrictions that permit the Organization to expend the donated assets as specified, and is satisfied either by the passage of time or by actions of the Organization. When the donor restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as "net assets released from restrictions."

Permanently restricted: accounts for net assets, which are permanently restricted by the donor. The Organization had no permanently restricted net assets as of September 30, 2014.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

IGNATIAN LAY VOLUNTEER CORPORATION

Notes to Financial Statements
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable - Accounts receivable consists of uncollected Partnership Fees. The Organization provides for losses on accounts receivable using the allowance method. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance is based on experience and other circumstances which may affect a Partner's ability to meet its obligation. As of September 30, 2014, the allowance for doubtful accounts totaled \$20,000.

Property and Equipment - Property and equipment are recorded at cost less accumulated depreciation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities and changes in net assets for the period. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. The cost of maintenance and repairs is charged to current operations as incurred, whereas significant renewals and betterments are capitalized. Included in property and equipment is the cost to develop the Organization's website. Depreciation and amortization is provided by the straight-line method over estimated lives of 3 to 5 years.

Revenue Recognition - Contributions received or pledged are recognized as revenues in the period received or promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Revenues derived from partnership fees are considered to be available for unrestricted use and are recorded as income during the period earned. The Organization requires payment of the partnership fees at the beginning of the period of service. Deferred revenue as of September 30, 2014 represents partnership fees billed during 2014 for which service will be completed during the next fiscal year. These fees are deferred and recognized as revenue during the period earned.

Donated Services, Materials and Facilities - The Organization receives a significant amount of donated services from unpaid volunteers who assist in the Organization's operations. Donated professional services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been recognized in the Statements of Activities and Changes in Net Assets as contributions because the criteria for recognition has not been satisfied.

Additional space for regional offices throughout the United States is provided without cost. The value of the donated facilities has not been determined, as there is no quantifiable method to determine the value of these facilities, and therefore is not reported in these financial statements.

IGNATIAN LAY VOLUNTEER CORPORATION

Notes to Financial Statements
September 30, 2014

1. Summary of Significant Accounting Policies (continued)

Tax Status - The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as an organization, other than a private foundation, under a group ruling for all organizations connected with the Roman Catholic Church in the United States of America. Accordingly, no provision for income taxes is included in these financial statements. Ignatian Lay Volunteer Corporation is no longer subject to U.S. federal or state income tax examinations by tax authorities for fiscal years before June 30, 2011. The Organization did not have any unrecognized tax benefits as of September 30, 2014 and does not expect this to change significantly over the next twelve months.

2. Benefactor Loans Payable

Benefactor loans payable at September 30, 2014 consisted of the following:

Total benefactor notes payable as of September 30, 2014 totaled \$200,000, reported as \$150,000 of current liabilities and \$50,000 as a long term liability.

On August 31, 2010, Ignatian Lay Volunteer Corporation entered into a \$50,000 note payable with an individual benefactor of the Organization. This note is not secured. The term of the note includes a balloon payment due on September 30, 2014. The note may be repaid at any time without penalty. The stated interest rate on the note is 4% per annum.

On March 31, 2014, Ignatian Lay Volunteer Corporation entered into an interest free note payable, for \$100,000 with an individual benefactor of the Organization. The note is not secured. The term of the note includes a balloon payment due on September 30, 2014.

These two notes payable totaling \$150,000 with balloon payments due as of September 30, 2014 have not been extended and remain unpaid, and are reported as a current liability. Management is currently working with the benefactors to negotiate repayment or forgiveness of these loans. Because of the nature of the loans, management does not anticipate any penalties or adverse actions as a result of the missed payment due date.

On March 31, 2014, Ignatian Lay Volunteer Corporation entered into an interest free notes payable for \$50,000, with a benefactor who is a current Board Member of Ignatian Lay Volunteer Corporation. The note is not secured. The term of the note included a balloon payment due on September 30, 2014. Subsequent to year end, the note was modified to change the balloon payment to December 31, 2016, and is consequently reported as a long term liability. The loans may be repaid at any time without penalty. (See Note 11)

These notes also include provisions permitting the benefactors, at their discretion, to forgive a portion of the notes on the anniversary date of each year, including interest. The Organization also received forgiveness of all interest to date.

IGNATIAN LAY VOLUNTEER CORPORATION

Notes to Financial Statements
September 30, 2014

3. Fundraising Events

Fundraising events are recorded net of their related expenses. For the year ending September 30, 2014, gross receipts for Events were \$190,578. Related expenses for the year were \$76,094.

4. Deferred Revenue

Deferred revenue as of September 30, 2014 consisted of partnership fees collected during the current year that are for services performed in the subsequent fiscal year. Deferred revenue as of September 30, 2014 totaled \$458,920.

5. Temporarily Restricted Net Assets

Net assets released from restriction by incurring expenses satisfying the purpose or time restrictions specified by donors for the fifteen months ended September 30, 2014 were as follows:

Regional Director position & support	\$ 50,000
Marketing plan to increase the number of volunteers in all regions	<u>45,032</u>
Total temporarily restricted net assets	<u>\$ 95,032</u>

6. Occupancy Expense

The Organization leases office space for its National headquarters and Baltimore regional office under a non-cancelable lease which automatically renewed for an additional year ending June 30, 2015. The lease calls for a base monthly rental of \$860. The future minimum lease payments under this lease at September 30, 2014 are as follows:

2015	\$ 7,740
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The Organization leases office space for its Chicago regional office under a non-cancelable lease through April 30, 2017. The lease calls for a base monthly rental of \$159, increasing annually. The future minimum lease payments under this lease at September 30, 2014 are as follows:

2015	\$ 1,943
2016	2,001
2017	844

The Organization leases office space for two regional offices under a month-to-month arrangement. The San Diego and Virginia office spaces are leased for \$500 and \$700 a month respectively.

Total amounts charged to rent expense for the year ended September 30, 2014 was \$33,830.

IGNATIAN LAY VOLUNTEER CORPORATION

Notes to Financial Statements
September 30, 2014

7. Retirement Plan

The Organization provides the opportunity for employees to participate in a 403(b) thrift pension plan. It does not match employees' contributions.

8. Related Party Transactions

As reported in Footnote 2, one of the current Board Members of Ignatian Lay Volunteer Corporation entered into a note payable with the Organization as of March 1, 2014. Total amount of the unpaid principal balance of the Note was \$100,000 as of September 30, 2014.

9. Concentrations of Credit Risk

In the ordinary course of business, the Organization's cash balances may exceed FDIC insurance limits. The Organization continually reviews credit concentrations as part of its asset and liability management.

10. Accumulated Deficit and Management Plans

In fiscal year 2014, the Organization experienced a total decrease in net assets of \$504,693. This decrease has resulted in an accumulated deficit at September 30, 2014 of \$389,369. As of that date, the Organization's current liabilities exceeded its current assets by \$342,981. Those factors, as well as the Organization's dependence on loans from benefactors (described in Note 2) create an uncertainty about the Organization's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue.

In response to the current year's operating results, management and the Board of Directors have expressed their strong commitment to the Organization, and have taken action to reduce both its outstanding loans and future expenses. The Board of Directors has developed a new business plan to eliminate future reductions in net assets. The plan calls for increased fundraising efforts focusing on major donors and grants; and a reduction to budgeted expenditures during the coming year. As reported in Footnote 11, the Organization has already received designated cash contributions to reduce the outstanding debt by \$28,000. The former board member who loaned the organization \$100,000 during 2014 documented his intent to convert his loan to a gift in calendar 2015. In addition, Partnership Fees have been steadily increasing in recent years and are now at their full level for all partners. The Board of Directors intends to monitor contributions and expenses throughout the current fiscal year, and make budgetary adjustments as required to achieve fiscal stability for the Organization.

IGNATIAN LAY VOLUNTEER CORPORATION

Notes to Financial Statements
September 30, 2014

11. Subsequent Events

Subsequent to September 30, 2014, the Organization received designated contributions which enabled it to reduce the 2010 benefactor loan to \$22,000 as of March 11, 2015. The remainder of the loan will be paid in monthly installments through December 31, 2015.

On February 2, 2015, the Organization received notification from the lender of the \$100,000 benefactor loan payable that it is his intention to convert the loan into a gift during calendar 2015.

On February 12, 2015, the current board member who loaned the Organization \$50,000 issued a new loan agreement extending repayment of the note to December 31, 2016.

In preparing their financial statement, the Organization has evaluated subsequent events through March 11, 2015 the date which the financial statements were available to be issued.