

THE CHOSEN VISION, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

THE CHOSEN VISION, INC.

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INDEPENDENT AUDITORS' REPORT

June 20, 2016

To the Board of Directors of
The Chosen Vision, Inc.
Grand Ledge, MI 48837

We have audited the accompanying financial statements of The Chosen Vision, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years 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.

Auditor's 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 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of The Chosen Vision, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 10 and 11 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of American. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully,

Lally Group, PC

Lansing, Michigan

THE CHOSEN VISION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash - General	\$ 210,740	\$ 269,733
Accounts Receivable	16,355	20,819
TOTAL CURRENT ASSETS	227,095	290,552
PROPERTY AND EQUIPMENT		
Chosen Vision Homes and Improvements	1,420,790	938,033
Construction In Progress	10,764	365,015
Equipment	27,739	27,739
Vehicles	48,889	43,418
Furniture	39,916	13,398
Less: Accumulated Depreciation	(312,350)	(265,432)
NET PROPERTY AND EQUIPMENT	1,235,748	1,122,171
TOTAL ASSETS	\$ 1,462,843	\$ 1,412,723

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 9,526	\$ 7,989
Accrued Payroll and Related Expenses	13,145	24,357
Current Maturities - Long-Term Debt	23,385	8,406
TOTAL CURRENT LIABILITIES	46,056	40,752
LONG-TERM DEBT	0	66,542
TOTAL LIABILITIES	46,056	107,294
NET ASSETS		
Unrestricted	1,416,787	1,176,027
Temporarily Restricted	0	129,402
TOTAL NET ASSETS	1,416,787	1,305,429
TOTAL LIABILITIES & NET ASSETS	\$ 1,462,843	\$ 1,412,723

The accompanying notes are an integral part of the financial statements

THE CHOSEN VISION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Donations	\$ 375,330	\$ 2,750	\$ 378,080	\$ 165,634	\$ 495,555	\$ 661,189
Resident Income	402,532	0	402,532	304,290	0	304,290
Annual Banquet	33,639	0	33,639	36,179	0	36,179
Grants	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Investment Income	166	0	166	252	0	252
TOTAL REVENUES	811,667	2,750	814,417	506,355	495,555	1,001,910
EXPENSES						
Program Services	640,010	0	640,010	452,786	0	452,786
Management and General	46,082	0	46,082	38,517	0	38,517
Fund Raising	16,967	0	16,967	20,007	0	20,007
TOTAL EXPENSES	703,059	0	703,059	511,310	0	511,310
NET ASSETS RELEASED FROM RESTRICTIONS	132,152	(132,152)	0	366,153	(366,153)	0
CHANGE IN NET ASSETS	240,760	(129,402)	111,358	361,198	129,402	490,600
NET ASSETS, JANUARY 1	1,176,027	129,402	1,305,429	814,829	0	814,829
NET ASSETS, DECEMBER 31	\$ 1,416,787	\$ 0	\$ 1,416,787	\$ 1,176,027	\$ 129,402	\$ 1,305,429

The accompanying notes are an integral part of the financial statements

THE CHOSEN VISION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 111,358	\$ 490,600
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	52,168	35,455
(Increase) Decrease in Assets		
Accounts Receivable	4,464	(7,014)
Increase (Decrease) in Liabilities		
Accounts Payable	1,537	1,716
Accrued Payroll and Related Expenses	<u>(11,212)</u>	<u>10,440</u>
Net Cash Provided by Operating Activities	<u>158,315</u>	<u>531,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(165,745)</u>	<u>(370,878)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Long-Term Debt	<u>(51,563)</u>	<u>(44,947)</u>
Net Cash Provided by Financing Activities	<u>(51,563)</u>	<u>(44,947)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(58,993)	115,372
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>269,733</u>	<u>154,361</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 210,740</u>	<u>\$ 269,733</u>
 Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for:		
Interest	<u>\$ 3,754</u>	<u>\$ 6,186</u>

The accompanying notes are an integral part of the financial statements

THE CHOSEN VISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES

The Chosen Vision, Inc. (the Organization) is a not-for-profit organization incorporated in 1991. Its stated purpose is to provide housing, care, and related services for persons with disabilities. The founders of the Organization were interested in establishing a group home for developmentally disabled adults that would meet their social and emotional needs and be distinctively Christian. The original Chosen View Home was opened in 2002, and is a barrier-free, multi-bed home located northeast of Grand Ledge for young women. A second facility for young women was completed and opened in early 2013 in DeWitt. During 2014, the organization committed to a third facility, also located in the DeWitt vicinity for use by young men. That facility was completed in early 2015 with a significant portion of its cost incurred in 2014 under the Construction In Progress balance sheet category.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No 117, The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- The unrestricted net assets represent the resources available for use in carrying on the operations of the Organization. The unrestricted portion is under the discretionary control of the Board of Directors, and it is against this fund that all expenditures for current operations are charged.
- The temporarily restricted net assets represent contributions and other income that has been received, but is temporarily restricted for future activities.
- The permanently restricted net assets represent donor and board stipulated instruments that are to be maintained, with only the income from the instruments expended.

Contributions

The Organization accounts for contributions with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS NO 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

THE CHOSEN VISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

The Organization follows SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or decreases in expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Services

Numerous volunteers have donated significant amounts of time to the Organization in connection with the Annual Dinner, Silent Auction, facility maintenance and other programs. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

Accounts Receivable

The Organization records its receivables at their net realizable value.

Property and Equipment

Depreciation of equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Income Tax Status

The Chosen Vision, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). It is not classified as a private foundation by the Internal Revenue Service.

Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through June 20, 2016, the date the financial statements were available to be issued. No significant events were identified that would require adjustment or disclosure in the financial statements.

THE CHOSEN VISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The costs of the Organization's programs and supporting services have been reported on a functional basis. Certain costs have been allocated among the various programs and supporting services based on estimates made by management.

Advertising

Advertising costs are expensed as incurred.

NOTE 3: PROPERTY AND EQUIPMENT

Major classes of property and equipment as of December 31 as follows:

	USEFUL LIFE	2015	2014
Chosen View Home and Improvements	30 years	\$ 499,175	\$ 499,175
Dewitt Land & Buildings	30 years	921,615	438,858
Equipment	5 years	27,739	27,739
Vehicles	4 years	48,889	43,418
Furniture	8 years	39,916	13,398
Construction in Progress	N/A	10,764	365,015
		<u>1,548,098</u>	<u>1,387,603</u>
Less accumulated depreciation		<u>(312,350)</u>	<u>(265,432)</u>
Net property and equipment		<u>\$ 1,235,748</u>	<u>\$ 1,122,171</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$66,699 and \$35,455, respectively.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Chosen Vision, Inc. receives a substantial amount of its support from independent funding sources. A significant reduction in the level of this support, if this were to occur, could have an effect on the Organization's ability to continue its programs.

THE CHOSEN VISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CASH AND CASH EQUIVALENTS

Deposits with financial institutions are detailed as follows:

ACCOUNT TYPE	BOOK <u>BALANCE</u>	BANK <u>BALANCE</u>	FDIC/SPIC <u>INSURED</u>
December 31, 2015			
Checking	\$ 37,755	\$ 38,818	\$ 38,818
Money Market	172,735	172,735	172,735
Petty Cash	<u>250</u>	<u>0</u>	<u>0</u>
	\$ <u>210,740</u>	\$ <u>211,553</u>	\$ <u>211,553</u>
December 31, 2014			
Checking	\$ 76,633	77,459	77,459
Money Market	192,850	192,850	192,850
Petty Cash	<u>250</u>	<u>0</u>	<u>0</u>
	\$ <u>269,733</u>	\$ <u>270,309</u>	\$ <u>270,309</u>

NOTE 6 – TEMPORARILY RESTRICTED FUNDS

In early 2014, the Organization committed to build a facility for young men. During 2014 some \$480,455 of funds were received for that project with an additional \$15,100 of funds received for the installation of an elevator in the original Grand Ledge facility. At December 31, 2014, there remained \$114,302 of funds restricted for the completion of the DeWitt facility and \$15,100 of funds restricted for the elevator project. Any restrictions on the use of those funds expired in 2015 with the completion of the second DeWitt facility and the deposit on the Grand Ledge elevator project with a corresponding reporting of Net Assets Released from Restrictions.

NOTE 7 – LONG-TERM DEBT

Effective January 24, 2013, the Organization established two financing agreements with Dart Bank. A \$125,000 mortgage was executed to facilitate the completion of the second facility referenced in the above Note. That financing is at 5.5% with a 15-year amortization and a 3-year balloon payment required on January 24, 2016. In addition, the Organization established a commercial line of credit for \$50,000. There has been no usage of that credit line through the report date. The balance on the mortgage note was \$23,385 at December 31, 2015.

Minimum required payments under the \$125,000 mortgage are as follows:

2016	<u>\$ 23,385</u>
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SUPPLEMENTAL INFORMATION

THE CHOSEN VISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			
	PROGRAM SERVICES	MANAGEMENT	FUND	TOTAL
	CHOSEN VIEW HOME	AND GENERAL	RAISING	EXPENSES
Advertising	\$ 0	\$ 352	\$ 6,084	\$ 6,436
Agency Van	7,630	0	0	7,630
Bank and Investment Fees	0	800	0	800
Depreciation and Amortization	64,091	2,608	0	66,699
Food and Groceries	61,620	0	0	61,620
Fundraising Banquet and Auction	0	0	9,837	9,837
Insurance	28,680	1,509	0	30,189
Interest Expense	3,754	0	0	3,754
License Fees	70	0	0	70
Memberships	235	0	0	235
Office Supplies	302	1,930	248	2,480
Payroll Taxes	36,786	1,936	0	38,722
Postage and Printing	2,795	399	798	3,992
Professional Services	0	9,419	0	9,419
Program Supplies	2,484	0	0	2,484
Repairs and Maintenance	14,851	0	0	14,851
Resident Personal Allowances	8,930	0	0	8,930
Salaries and Wages	371,493	19,552	0	391,045
Special Outings and Trips	5,838	0	0	5,838
Staff Development and Recognition	4,128	6,192	0	10,320
Utilities	26,323	1,385	0	27,708
	<u>\$ 640,010</u>	<u>\$ 46,082</u>	<u>\$ 16,967</u>	<u>\$ 703,059</u>

The accompanying notes are an intergral part of this statement

2014

	<u>PROGRAM SERVICES</u>			
	<u>CHOSEN VIEW HOME</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL EXPENSES</u>
Advertising	\$ 0	\$ 1,040	\$ 0	\$ 1,040
Agency Van	9,084	0	0	9,084
Bank and Investment Fees	0	905	0	905
Depreciation and Amortization	33,682	1,773	0	35,455
Food and Groceries	33,307	0	0	33,307
Fundraising Banquet and Auction	0	0	18,559	18,559
Household Supplies	69	0	0	69
Insurance	19,241	1,013	0	20,253
Interest Expense	4,872	0	0	4,872
Interest Expense	4,872	0	0	4,872
License Fees	125	0	0	125
Memberships	632	0	0	632
Office Supplies	0	743	83	826
Payroll Taxes	22,655	1,192	0	23,848
Postage and Printing	4,778	682	1,365	6,825
Professional Services	0	8,555	0	8,555
Program Supplies	1,166	0	0	1,166
Repairs and Maintenance	12,910	0	0	12,910
Resident Personal Allowances	6,795	0	0	6,795
Salaries and Wages	274,898	14,468	0	289,367
Special Outings and Trips	4,672	0	0	4,672
Staff Development and Recognition	4,758	7,137	0	11,895
Travel	0	2	0	2
Utilities	19,142	1,007	0	20,149
	<u>\$ 452,786</u>	<u>\$ 38,517</u>	<u>\$ 20,007</u>	<u>\$ 511,310</u>

The accompanying notes are an intergral part of this statement