

**UNICORN CENTERS, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**UNICORN CENTERS, INC.**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

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## Independent Auditor's Report



To the Board of Directors of  
Unicorn Centers, Inc.

We have audited the accompanying financial statements of Unicorn Centers, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and functional expenses for the year ended June 30, 2018, and cash flows for the years ended June 30, 2018 and 2017, 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 audits. We conducted our audits 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unicorn Centers, Inc. as of June 30, 2018 and 2017, the changes in its net assets and functional expenses for the year ended June 30, 2018, and its cash flows for the years ended June 30, 2018 and 2017, in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 13 to the financial statements, as of July 1, 2018, Unicorn Centers, Inc. merged its operations into Mission Road Developmental Centers. Our opinion is not modified with respect to that matter.

### Report on Summarized Comparative Information

We have previously audited Unicorn Centers, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sagebiel, Ravenburg & Schuh, P.C.*

San Antonio, Texas  
November 6, 2018

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**UNICORN CENTERS, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2018 and 2017**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 981,893	\$ 2,463,764
Accounts receivable:		
Program fees and contracts, net	284,722	226,304
Other	2,194	-
Unconditional promises to give, net	2,470	1,445
Prepaid expenses and other assets	7,478	8,210
Total current assets	<u>1,278,757</u>	<u>2,699,723</u>
<b>Investments</b>	1,157,007	1,103,758
<b>Property and equipment, net</b>	<u>3,573,829</u>	<u>1,985,158</u>
Total assets	<u>\$ 6,009,593</u>	<u>\$ 5,788,639</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable:		
Trade	\$ 134,472	\$ 156,734
Affiliate	64,530	22,439
Accrued retirement plan contribution	9,500	10,000
Accrued salary and related expenses	62,020	56,584
Total current liabilities	<u>270,522</u>	<u>245,757</u>
<b>Net assets:</b>		
Unrestricted - operations	2,155,881	3,460,798
Unrestricted - property and equipment	<u>3,573,829</u>	<u>1,985,158</u>
	5,729,710	5,445,956
Temporarily restricted	9,361	96,926
Total net assets	<u>5,739,071</u>	<u>5,542,882</u>
Total liabilities and net assets	<u>\$ 6,009,593</u>	<u>\$ 5,788,639</u>

The accompanying notes are an integral part  
of the financial statements.

**UNICORN CENTERS, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2018**

(With Comparative Totals For Year Ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<b>Total</b>	
			<u>2018</u>	<u>2017</u>
<b>Support and revenue:</b>				
Special events:				
Gross revenue	\$ 158,778	\$ -	\$ 158,778	\$ 158,137
Less direct expenses	(14,689)	-	(14,689)	(17,833)
Net special events support	144,089	-	144,089	140,304
Contributions:				
Individuals	3,252	-	3,252	8,080
Corporations	13,523	-	13,523	9,099
Foundations	91,738	9,361	101,099	266,066
Affiliates	5,000	-	5,000	10,000
United Way allocation	52,062	-	52,062	96,917
Governmental support - program service fees	179,491	-	179,491	166,569
Private program services fees, tuition, and contracts	1,626,736	-	1,626,736	1,533,276
Investment income, net of fees	42,321	-	42,321	27,564
Realized losses on investments, net	-	-	-	(5,775)
Miscellaneous	5,577	-	5,577	2,511
Related agency revenue - affiliate	220,976	-	220,976	177,690
	2,384,765	9,361	2,394,126	2,432,301
Net assets released from restrictions	96,926	(96,926)	-	-
Total support and revenue	2,481,691	(87,565)	2,394,126	2,432,301
 <b>Expenses:</b>				
Program services:				
Habilitation and care	1,929,993	-	1,929,993	1,845,551
Supporting services:				
Administrative and general	241,910	-	241,910	146,233
Fundraising	43,306	-	43,306	65,493
Total expenses	2,215,209	-	2,215,209	2,057,277
Change in net assets before other gains (losses)	266,482	(87,565)	178,917	375,024
Unrealized gains on investments	17,272	-	17,272	89,964
Change in net assets	283,754	(87,565)	196,189	464,988
<b>Net assets at beginning of year</b>	5,445,956	96,926	5,542,882	5,077,894
<b>Net assets at end of year</b>	\$ 5,729,710	\$ 9,361	\$ 5,739,071	\$ 5,542,882

The accompanying notes are an integral part  
of the financial statements.

**UNICORN CENTERS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2018**

(With Comparative Totals For Year Ended June 30, 2017)

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>	
	<u>Habilitation and Care</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>2018</u>	<u>2017</u>
Salaries	\$ 1,010,431	\$ 190,098	\$ 29,194	\$ 1,229,723	\$ 1,117,650
Employee health and welfare	63,357	11,493	2,446	77,296	73,381
Employee retirement	21,557	5,551	1,098	28,206	23,330
Payroll taxes	76,595	13,989	2,119	92,703	86,083
Workers' compensation insurance	9,736	328	55	10,119	9,960
Total salary and related expenses	<u>1,181,676</u>	<u>221,459</u>	<u>34,912</u>	<u>1,438,047</u>	<u>1,310,404</u>
Employee screening	2,666	921	17	3,604	3,605
Professional fees - accounting, legal, and other	21,812	3,350	-	25,162	20,773
Professional fees - related agency	110,930	-	-	110,930	113,380
IT support services	59,295	3,277	1,571	64,143	66,013
Training - client	231,976	-	-	231,976	228,154
Supplies	41,226	2,473	256	43,955	44,605
Telephone	18,143	884	207	19,234	16,556
Postage and shipping	2,891	1,114	238	4,243	3,410
Printing and publications	1,696	274	234	2,204	2,372
Advertisement - employee recruitment	984	180	-	1,164	1,912
Occupancy	37,691	1,231	5	38,927	38,830
Utilities	54,926	2,462	-	57,388	52,997
Equipment maintenance	1,039	47	-	1,086	956
Equipment rental	1,320	-	-	1,320	1,559
Corporate insurance	22,526	2,997	89	25,612	22,315
Transportation	10,082	88	-	10,170	10,623
Meetings and conferences	1,442	914	138	2,494	1,375
Membership dues	542	176	-	718	751
Miscellaneous	16	18	29	63	57
Bad debt	13,149	-	127	13,276	1,937
Promotional/fundraising	604	45	71	720	629
Special events - indirect	-	-	5,257	5,257	5,544
Bank and credit card fees	232	-	155	387	350
Total expenses before depreciation	<u>1,816,864</u>	<u>241,910</u>	<u>43,306</u>	<u>2,102,080</u>	<u>1,949,107</u>
Depreciation	<u>113,129</u>	<u>-</u>	<u>-</u>	<u>113,129</u>	<u>108,170</u>
Total expenses	<u>\$ 1,929,993</u>	<u>\$ 241,910</u>	<u>\$ 43,306</u>	<u>\$ 2,215,209</u>	<u>\$ 2,057,277</u>

The accompanying notes are an integral part  
of the financial statements.

**UNICORN CENTERS, INC.**

**STATEMENT OF CASH FLOWS**

**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 196,189	\$ 464,988
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	113,129	108,170
Bad debt expense	13,276	1,937
Contributions restricted for purchase of property and equipment	(9,361)	(100,000)
Realized and unrealized (gains) and losses, net	(17,272)	(84,189)
Change in:		
Program fees and contracts receivable	(71,694)	23,878
Accounts receivable	(2,194)	-
Promises to give receivable	(1,025)	6,155
Prepaid expenses and other assets	732	6,813
Trade accounts payable	(22,262)	122,051
Affiliate accounts payable	42,091	(7,102)
Accrued retirement plan	(500)	-
Accrued salary expenses	5,436	3,490
Net cash provided by operating activities	<u>246,545</u>	<u>546,191</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,701,800)	(336,511)
Proceeds from sales and maturities of investments	37,979	243,336
Purchases of investments	(73,956)	(268,420)
Net cash used by investing activities	<u>(1,737,777)</u>	<u>(361,595)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for purchase of property and equipment	<u>9,361</u>	<u>100,000</u>
Net increase (decrease) in cash and cash equivalents	(1,481,871)	284,596
<b>Cash and cash equivalents at beginning of year</b>	<u>2,463,764</u>	<u>2,179,168</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 981,893</u>	<u>\$ 2,463,764</u>

The accompanying notes are an integral part of the financial statements.

## UNICORN CENTERS, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 1 NATURE OF ORGANIZATION

Founded in 1985, Unicorn Centers, Inc. (Unicorn) is a not-for-profit organization whose mission is to provide life skills and vocational training in San Antonio, Texas for adults with intellectual and other developmental disabilities. Services include, but are not limited to, job and life skills training, supported employment and job coaching, and day activity. Unicorn is supported primarily through program fees, contracts, contributions, grants, and the United Way.

On July 1, 2000, Unicorn became affiliated with a newly formed Texas corporation, Mission Road Ministries, Inc. (MRM), a not-for-profit corporation under Internal Revenue Code (the Code) Section 501(c)(3). MRM was formed for the purpose of governance and oversight of affiliated 501(c)(3) non-profit agencies which provide a continuum of care for persons with intellectual and other developmental disabilities. The affiliates of MRM who each play a role in providing the continuum of care are Mission Road Developmental Center, Inc. (MRDC), Unicorn, and three supervised living apartments subsidized by the U.S. Department of Housing and Urban Development and managed by a contracted apartment management company. These three apartments are Independence Square, Inc., 200 Oblate, Incorporated d/b/a Murray Manor, and Meadow Brook Apartments. MRM was incorporated in 2000 with an oversight Board of Directors from MRDC and Unicorn. The Clifford Craig Bledsoe Memorial Foundation was founded in 1967 to provide financial support to MRDC. Unicorn also coordinates with MRDC in order to provide services for persons with intellectual and other disabilities. MRDC provides residential, day activity and in-home services for both children and adults.

While the reporting for these financial statements is solely for Unicorn, these financial statements have been included in the combined financial statements of MRM and its affiliates, as noted above.

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Accounting**

The financial statements of Unicorn have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

##### **Basis of Presentation**

Unicorn reports information regarding its financial position and activities according to three classes of net assets, as follows:

- Unrestricted - Resources that are expendable at the discretion of the Board of Directors for conducting the operations of Unicorn. Unrestricted net assets may be designated by the Board of Directors for a specific purpose.
- Temporarily Restricted - Resources that are limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and otherwise removed by actions of Unicorn pursuant to those restrictions.
- Permanently Restricted - Portion of the net assets resulting from contributions and other inflows of assets whose use by Unicorn is limited by donor-imposed restrictions that neither expire by the passage of time, nor can be fulfilled or otherwise removed by actions of Unicorn.

##### **Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Unicorn's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

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# UNICORN CENTERS, INC.

## NOTES TO FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, Unicorn considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

#### Accounts Receivable

Accounts receivable primarily consist of tuition reimbursements from various individuals, organizations, and governmental agencies for program services provided by Unicorn. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Changes in the allowance for doubtful accounts have not been material to the financial statements.

#### Promises to Give

Promises receivable consist of promises to give from individuals, corporations, foundations, and other agencies. Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises then become unconditional.

All promises to give are due in less than one year; therefore, no discount has been applied and management believes they are presented at their net realizable value.

#### Investments

Investments in marketable securities with readily determinable fair values are stated at fair value.

#### Property and Equipment

Effective July 1, 2017, Unicorn capitalizes all expenditures for property and equipment that cost \$5,000 or more. Prior to July 1, 2017, Unicorn capitalized all expenditures for property and equipment that cost \$1,000 or more. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

Depreciation is based on the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5 - 30
Equipment	3 - 25
Furniture	5 - 15
Vehicles	3 - 7

(Continued)

## UNICORN CENTERS, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Program Revenue and Revenue Recognition**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Program revenue is considered earned as services are provided to clients.

##### **Income Tax Status**

Unicorn is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Unicorn qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

During fiscal year 2013, MRM, MRDC, and Unicorn voluntarily elected to file with the IRS Form 5768, *Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation*. This Board-approved action was made to take advantage of IRS rules that set out spending limits for lobbying purposes with various levels of penalties, before loss of the 501(c)(3) status. Without the election, the only sanction for lobbying violations was loss of the 501(c)(3) status. The election begins for the fiscal year in which the election was made, and is in force until revoked by Unicorn. There are no immediate plans for lobbying activities, but if there are in the future, they must be approved by affirmative Board action. This election provides a level of protection to the 501(c)(3) status not otherwise available.

##### **Functional Expense**

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Professional administrative and fundraising expenses are centralized under MRM to eliminate some redundancy at the affiliate level. MRM charges its affiliates a management fee to perform these functions. The total annual management fee expenditure has been allocated to various Unicorn expense accounts based on the actual administrative and fundraising expense account activities of MRM.

##### **Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

##### **Advertising Expenses**

Advertising and similar expenses are expensed as incurred, and are not capitalized.

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## UNICORN CENTERS, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Accounting Pronouncements Issued but Not Yet Adopted

###### *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

FASB issued ASU 2015-14 that deferred the effective date until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements. This may affect Unicorn in fiscal year 2020.

###### *Leases (Topic 842)*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded.

The ASU is effective for Unicorn's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements. This may affect Unicorn in fiscal year 2021.

###### *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include; (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The ASU is effective for Unicorn's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements. This may affect Unicorn in fiscal year 2019.

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**UNICORN CENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Subsequent Events**

Unicorn has evaluated subsequent events through November 6, 2018, the date which the financial statements were available for issue. Subsequent events relating to Unicorn merging into MRDC, effective July 1, 2018, are discussed in Note 13.

**3 CONCENTRATION OF CREDIT RISK**

Unicorn maintains its cash and cash equivalent balance in one financial institution. At June 30, 2018, Unicorn's cash and cash equivalents exceeded federally insured limits by \$742,053.

**4 INVESTMENTS**

Investments consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 29,017	\$ 26,824
Mutual funds:		
Bond funds	343,260	342,913
Foreign large growth funds	58,732	58,710
Large blend funds	92,875	85,227
Large value funds	102,758	98,090
Long-short equity funds	180,931	114,245
Multi-alternative funds	67,712	68,915
Small blend funds	34,568	30,795
World allocation funds	247,154	278,039
	<u>\$ 1,157,007</u>	<u>\$ 1,103,758</u>

Investment return is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 46,430	\$ 31,301
Investment management fees	(4,109)	(3,737)
Investment income, net of fees	42,321	27,564
Realized gains and losses	-	(5,775)
Unrealized gains and losses	17,272	89,964
Total investment return	<u>\$ 59,593</u>	<u>\$ 111,753</u>

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). At June 30, 2018 and 2017, Unicorn's investments were reported at fair value using a Level 1 measure.

**UNICORN CENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**5 PROGRAM FEES AND CONTRACTS RECEIVABLE**

Revenue is received primarily from individual families and from organizations other than affiliates, who utilize services provided by Unicorn. Program fees and contracts receivable consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Government agency fees	\$ 21,539	\$ 19,843
Tuition and job coaching	198,008	165,855
Workshop contracts	65,175	40,623
Program fees and contracts receivable, gross	<u>284,722</u>	<u>226,321</u>
Allowance for doubtful accounts	-	(17)
Program fees and contracts receivable, net	<u><u>\$ 284,722</u></u>	<u><u>\$ 226,304</u></u>

**6 PROPERTY AND EQUIPMENT**

At June 30, the carrying values of property and equipment were as follows:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 1,026,355	\$ 304,966
Buildings and improvements	3,111,650	2,006,913
Equipment	329,906	207,763
Furniture	29,038	29,038
Vehicles	81,298	81,298
Construction in progress	161,363	422,335
Property and equipment, gross	<u>4,739,610</u>	<u>3,052,313</u>
Accumulated depreciation	<u>(1,165,781)</u>	<u>(1,067,155)</u>
Property and equipment, net	<u><u>\$ 3,573,829</u></u>	<u><u>\$ 1,985,158</u></u>

**7 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Unicorn Center expansion project	\$ -	\$ 87,665
Restroom renovation	-	8,835
Electric lift and power stacker	9,361	-
Other program services	-	426
Temporarily restricted net assets	<u><u>\$ 9,361</u></u>	<u><u>\$ 96,926</u></u>

**8 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Purpose restriction accomplished:		
Unicorn Center expansion project	\$ 87,665	\$ 334,480
Restroom renovation	8,835	-
Other property and equipment additions and improvements	-	260
Other program services	426	4,246
Net assets released from restriction	<u><u>\$ 96,926</u></u>	<u><u>\$ 338,986</u></u>

**UNICORN CENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**9 LEASES**

Unicorn leases a postage machine under an operating lease expiring through December 2018. Rental expenses under this lease consisted of \$1,320 and \$1,427, for the years ended June 30, 2018 and 2017, respectively. The following are future minimum lease rental payments under the lease:

Year Ending June 30, 2019	<u>Amount</u>
	\$ 648
	<u>\$ 648</u>

**10 SPECIAL EVENT**

Unicorn has a special event fundraiser each fiscal year to help support program activities. Net proceeds are used in the Supported Employment program to assist individuals to seek and maintain employment in the community. Below is a summary for fiscal years 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Special events gross revenue	\$ 158,778	\$ 158,137
Special events direct expenses	(14,689)	(17,833)
Special events indirect expenses (included in fundraising expenses)	<u>(5,257)</u>	<u>(5,544)</u>
Special events revenues and expenses, net	<u>\$ 138,832</u>	<u>\$ 134,760</u>

**11 AFFILIATE ORGANIZATIONS AND RELATED PARTY INFORMATION**

Founded in 2000, MRM provides centralized focus and ongoing coordinated oversight of Unicorn and other affiliates, as well as cost benefits, because of common management. MRM charges a management fee to Unicorn and MRDC for these coordinated services. Unicorn and MRDC mutually agreed to coordinate services for persons with intellectual and other disabilities. Unicorn charges MRDC for program services provided to MRDC residents. MRDC charges Unicorn for property maintenance, staff training and chaplain fees.

Unicorn billed MRDC \$167,060 and \$167,869 for program services for the years ended June 30, 2018 and 2017, respectively. MRDC paid Unicorn \$53,916 in 2018 and \$9,821 in 2017 for employee services at the ICF and HCS homes.

Unicorn paid MRM \$279,954 and \$206,182 in management fees for the years ended June 30, 2018 and 2017, respectively.

Unicorn paid MRDC \$110,930 in 2018 and \$113,380 in 2017 for staff training, property maintenance and chaplain fees.

MRM made contributions to Unicorn of \$5,000 and \$10,000 for the years ended June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, no amounts were owed to Unicorn by its affiliates.

(Continued)

**UNICORN CENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**11 AFFILIATE ORGANIZATIONS AND RELATED PARTY INFORMATION** (Continued)

At June 30, the following amounts were owed by Unicorn to its affiliates:

	<u>2018</u>	<u>2017</u>
Affiliate accounts payable, net:		
MRM	\$ 49,294	\$ 12,277
MRDC	15,236	10,162
	<u>\$ 64,530</u>	<u>\$ 22,439</u>

Unicorn and its affiliates share pooled corporate insurance policies. The annual premiums for these insurance policies are paid proportionately by Unicorn and its affiliates.

**12 EMPLOYEE BENEFIT PLAN**

Unicorn subscribes to MRM's defined contribution retirement plan. This plan covers all Unicorn full-time and non-excluded class employees who are active employees on December 31, have attained age 21, and have completed three months of continuous service. Unicorn's portion of the retirement plan contributions for the years ended June 30, 2018 and 2017 was \$16,542 and \$16,663, respectively.

**13 SUBSEQUENT EVENTS**

Effective July 1, 2018, Unicorn Centers, Inc. merged its operations into MRDC. MRDC received Unicorn's assets and assumed all liabilities based on values as of June 30, 2018. Employees of Unicorn became employees of MRDC, and MRDC obtained the necessary licenses for the Unicorn programs, such that Unicorn will be operated as a program under MRDC. Upon filing the final IRS 990 for Unicorn's fiscal year ending June 30, 2018, Unicorn Centers, Inc. will be dissolved as a separate entity.