

THE STONINGTON VILLAGE
IMPROVEMENT ASSOCIATION, INC.
MERRILL HOUSE SEGMENT

FINANCIAL STATEMENTS
MARCH 31, 2022



**THE STONINGTON VILLAGE
IMPROVEMENT ASSOCIATION, INC.**

MERRILL HOUSE SEGMENT

FINANCIAL STATEMENTS

Years Ended March 31, 2022 (Audited) and 2021 (Unaudited)

CONTENTS

Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT



Board of Trustees
The Stonington Village Improvement Association, Inc.
P.O. Box 18
Stonington, CT 06378

Opinion

We have audited the accompanying statement of financial position of Stonington Village Improvement Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stonington Village Improvement Association, Inc. as of March 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stonington Village Improvement Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stonington Village Improvement Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an

Stacey L. Gualtieri, CPA
Audrey A. Leone, CPA

audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

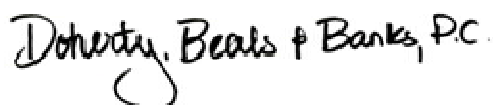
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Stonington Village Improvement Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stonington Village Improvement Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Organization's 2021 unaudited financial statements and, in our report dated October 20, 2022. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we did not express such an opinion.



DOHERTY, BEALS & BANKS, P.C.
New London, CT 06320

October 20, 2022

THE STONINGTON VILLAGE IMPROVEMENT ASSOCIATION, INC.
MERRILL HOUSE SEGMENT
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 256,213	\$ 208,831
Prepaid insurance	4,315	4,166
TOTAL CURRENT ASSETS	260,528	212,997
PROPERTY AND EQUIPMENT		
Land	72,675	72,675
Buildings and improvements	850,603	794,822
Furniture and equipment	109,648	109,648
	1,032,926	977,145
Less: accumulated depreciation	(558,705)	(522,141)
TOTAL PROPERTY AND EQUIPMENT	474,221	455,004
OTHER ASSETS		
Beneficial interest in assets held by Community Foundation	-	74,417
TOTAL ASSETS	\$ 734,749	\$ 742,418
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 44,103	\$ 5,450
Due to MH Foundation	1,694	-
Security deposits	4,000	4,575
TOTAL LIABILITIES	49,797	10,025
NET ASSETS		
Without donor restrictions	642,256	689,155
With donor restrictions	42,696	43,238.00
TOTAL NET ASSETS	684,952	732,393
TOTAL LIABILITIES AND NET ASSETS	\$ 734,749	\$ 742,418

See independent auditor's report and notes to financial statements.

THE STONINGTON VILLAGE IMPROVEMENT ASSOCIATION, INC.
MERRILL HOUSE SEGMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

SUPPORT AND REVENUE	Without Donor Restrictions	With Donor Restrictions	2022	2021
Income from projects	\$ 1,320	\$ -	\$ 1,320	\$ 2,827
Contributions	172,044	-	172,044	188,440
Rental income	51,899	-	51,899	40,102
Interest and dividend income	4,203	-	4,203	5,620
Other income	-	-	-	8,550
Unrealized gains (losses) on investments	-	-	-	-
Net assets released from restrictions:				
Satisfaction of donor restrictions	542.00	(542.00)	-	-
TOTAL SUPPORT AND REVENUE	230,008	(542)	229,466	245,539
 FUNCTIONAL EXPENSES				
Merrill House	276,907	-	276,907	159,141
CHANGE IN NET ASSETS	(46,899)	(542)	(47,441)	86,398
 NET ASSETS - BEGINNING	 <u>689,155</u>	 <u>43,238.00</u>	 <u>732,393</u>	 <u>645,995</u>
 NET ASSETS - ENDING	 <u>\$ 642,256</u>	 <u>\$ 42,696</u>	 <u>\$ 684,952</u>	 <u>\$ 732,393</u>

See independent auditor's report and notes to financial statements.

THE STONINGTON VILLAGE IMPROVEMENT ASSOCIATION, INC.
MERRILL HOUSE SEGMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

	Merrill House Program	
FUNCTIONAL EXPENSES	2022	2021
Salaries	\$ 43,257	\$ 39,062
Payroll taxes	3,763	3,455
Advertising	201	207
Bank service charges	525	646
Writer in residence-stipend	11,690	10,329
Dues and subscriptions	1,314	1,203
Donation	92,736	-
Insurance	15,204	14,572
Special events and programs	18,869	6,952
Postage and web hosting	462	292
Professional fees	5,941	6,998
Printing	3,541	1,905
Property tax	10,292	9,951
Repairs and maintenance	15,964	12,749
Supplies	164	974
Utilities	13,484	11,629
Rental expense	685.00	-
Miscellaneous	-	-
Website and hosting	2,251	1,656
Total Expenses Before Depreciation	240,343	122,580
Depreciation	36,564	36,561
TOTAL FUNCTIONAL EXPENSES	\$ 276,907	\$ 159,141

All of Merrill House expenses apply to the Merrill House building as a whole. The organization expense allocations in most cases, are allocated directly.

See independent auditor's report and notes to financial statements.

THE STONINGTON VILLAGE IMPROVEMENT ASSOCIATION, INC.
MERRILL HOUSE SEGMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (47,441)	\$ 86,398
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	36,564	36,561
Change in value of beneficial interest	74,417	(65,830)
(Increase) decrease in:		
Rent receivable	-	999
Prepaid insurance	(149)	(756)
Increase (decrease) in:		
Accounts payable	38,653	3,681
Due to MH Foundation	1,694	-
Security deposits	(575.00)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	103,163	61,053
 CASH FLOWS FROM INVESTING ACTIVITIES		
Improvements to property	(55,781)	(31,245)
 NET CHANGE IN CASH	47,382	29,808
 CASH AND CASH EQUIVALENTS - BEGINNING	208,831	179,023
 CASH AND CASH EQUIVALENTS - ENDING	\$ 256,213	\$ 208,831

See independent auditor's report and notes to financial statements.

THE STONINGTON VILLAGE IMPROVEMENT ASSOCIATION, INC.
MERRILL HOUSE SEGMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

The mission of Stonington Village Improvement Association, Inc. is to promote and assist the development of parks, playgrounds, trees, shrubs and gardens, public buildings and historical shrines in the Village of Stonington; to promote literary, cultural and educational uses of its properties, which are suited for those purposes; to promote the common good and general welfare of the people of the community; to bring about civic betterments and social improvements; to buy, rent, build, hold and sell real and other property as may be necessary for their purposes; and to accumulate funds for these purposes.

Basis of Accounting

The Stonington Village Improvement Association, Inc. prepared the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The financial statements include the operations, assets and liabilities of the Organization. In the opinion of the Organization’s management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary to fairly present the accompanying financial statements.

Financial Statement Presentation

The Organization follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the Organization.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are for contributions for which donor-imposed restrictions have not been met in the year of receipt. Also included in the category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization.

Income Tax Status

The Stonington Village Improvement Association, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, The Stonington Village Improvement Association, Inc. qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Association’s tax returns for the last three years remain open for examination.

The Organization recognized the tax benefits from uncertain tax positions when it is more-likely-than-not the position would be sustained upon examination by taxing authorities. As of March 31, 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. In the normal course of business, the Organization’s tax filings are subject to examination by federal and state taxing authorities. The Organization’s tax returns for the last three years remain open for examination.

THE STONINGTON VILLAGE IMPROVEMENT ASSOCIATION, INC.
MERRILL HOUSE SEGMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Comparative Totals

The financial information shown for March 31, 2021, in the accompanying financial statements is included to provide a basis for comparison with March 31, 2022, and presents summarized totals only. Such total amounts do not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such amounts should be read in conjunction with the Organization's financial statements for the year ended March 31, 2021, from which the comparative total amounts were derived.

Fair Values of Financial Instruments

The fair values of financial instruments have been determined through quoted market prices or present value techniques to approximate the amounts recorded in the Statement of Financial Position.

Investments

The Association carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Fair value is generally determined based on quoted prices in active markets. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure the fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities where the organization has the ability to access at the measurement date;

Level 2 – Significant other observable inputs other than quoted prices included in level 1, which are observable for the asset or liability, either directly or indirectly (*i.e.*, quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 – Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.

All investments held by Stonington Village Improvement Association, Inc. are Level 1 investments.

THE STONINGTON VILLAGE IMPROVEMENT ASSOCIATION, INC.
MERRILL HOUSE SEGMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The investment policy establishes an achievable return objective through professional management and sufficient portfolio diversification to minimize volatility and to help assure a reasonable consistency of return. The current long-term return objective is to achieve income with growth. As such, these funds can assume a time horizon that extends well beyond a normal market cycle. To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation by setting a minimum of cash and fixed income of 35% and a maximum of 60% and a minimum of 40% equity-based securities and a maximum of 60% to achieve its long-term return objectives within prudent risk parameters.

Property and Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is charged to income over their estimated lives by using the straight-line method.

Recognition of Support and Revenue

In 2021, the Board adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and additional ASUs issued to clarify the guidance in ASU 2014-09 (collectively, the new revenue standard), which amends the existing accounting standards for revenue recognition.

The adoption of the new revenue standard did not have a material impact on previously reported amounts or amounts recognized for the year ended June 30, 2021, as the Board receives substantially all of its support from contributions and grants, which are not within the scope of the new revenue standard.

Grants and Contracts – Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

Entitlement to cost reimbursement grants and contracts is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, support is recognized to the extent of grant expenditures. Entitlement to performance-based grants and contracts are conditioned to the attainment of specific performance goals and, therefore, support is recognized to the extent of performance achieved. Grant and contract receipts in excess of support recognized are presented as deferred revenue.

Contributions – Contributions are defined as voluntary, non-reciprocal transfers.

Contributions that are unconditional and without restrictions are recognized as support when received or pledged, if applicable. Contributions and grants that are restricted by the contributor or grantor are reported as increases in net assets with donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give are not recognized as support until the conditions have been substantially met.

Contributed Assets – Donated assets (including the usage of assets such as rent) are recognized at their estimated fair market value.

THE STONINGTON VILLAGE IMPROVEMENT ASSOCIATION, INC.
MERRILL HOUSE SEGMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stonington Village Improvement Association, Inc. reports gifts of land, buildings, and equipment as support without donor restrictions 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 support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, Stonington Village Improvement Association, Inc. reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

Contributed Services – Stonington Village Improvement Association, Inc. recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Management has evaluated subsequent events through October 20, 2022, the date which the financial statements were available for issue

2. AVAILABILITY OF FINANCIAL ASSETS

Stonington Village Improvement Association Inc.'s financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents – without donor restrictions	<u>\$ 256,213</u>
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