

**MERIDIAN EDUCATION
RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.**

FINANCIAL STATEMENTS

AUGUST 31, 2017

**MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.**

**FINANCIAL REPORT
AUGUST 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Meridian Education Resource Group, Inc.
d/b/a Whitefoord, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of **Meridian Education Resource Group, Inc. d/b/a Whitefoord, Inc.**, (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization'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 Organization'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 Meridian Education Resource Group, Inc. d/b/a Whitefoord, Inc. as of August 31, 2017 and 2016, 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*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of activities by function and the schedule of expenditures of federal awards, as required by *Audits of States, Local Governments, and Non-Profit Organizations* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, respectively, 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 audit 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 America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Atlanta, Georgia
January 24, 2018

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 685,436	\$ 839,432
Receivables		
Grants	41,832	9,697
Program service	94,491	172,135
Unconditional promises to give	-	15,000
	<u>136,323</u>	<u>196,832</u>
Less allowance for contractual adjustments and bad debts	<u>(39,345)</u>	<u>(83,029)</u>
Total receivables, net	<u>96,978</u>	<u>113,803</u>
Total current assets	<u>782,414</u>	<u>953,235</u>
Property and equipment - at cost		
Buildings	1,214,144	1,214,144
Building improvements	460,798	456,410
Computers and equipment	510,575	510,575
Furniture and fixtures	406,776	384,011
Vehicles	86,370	86,370
	<u>2,678,663</u>	<u>2,651,510</u>
Less accumulated depreciation	<u>(1,535,933)</u>	<u>(1,414,664)</u>
	<u>1,142,730</u>	<u>1,236,846</u>
Land	16,984	16,984
Construction in progress	14,700	-
Property and equipment, net	<u>1,174,414</u>	<u>1,253,830</u>
Total assets	<u>\$ 1,956,828</u>	<u>\$ 2,207,065</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities		
Accounts payable	\$ 101,164	\$ 82,941
Accrued liabilities	80,787	170,533
Total current liabilities	<u>181,951</u>	<u>253,474</u>
Net assets		
Unrestricted	811,888	1,086,302
Unrestricted - Board designated	600,000	600,000
Temporarily restricted	317,989	222,289
Permanently restricted	45,000	45,000
Total net assets	<u>1,774,877</u>	<u>1,953,591</u>
Total liabilities and net assets	<u>\$ 1,956,828</u>	<u>\$ 2,207,065</u>

See Notes to Financial Statements.

**MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.**

**STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2017 AND 2016**

	2017			2016				
	Unrestricted	Temporarily	Permanently	Total	Unrestricted	Temporarily	Permanently	Total
		Restricted	Restricted			Restricted	Restricted	
Revenues, gains, and other support								
Government grants and contracts	\$ 50	\$ 2,031,261	\$ -	\$ 2,031,311	\$ -	\$ 1,711,580	\$ -	\$ 1,711,580
Private grants, gifts, and contributions	704,376	416,892	-	1,121,268	852,127	513,007	45,000	1,410,134
Program service fees and related support	420,174	452,462	-	872,636	424,413	522,855	-	947,268
Other income	-	-	-	-	223,014	-	-	223,014
Interest income	2,346	-	-	2,346	2,610	-	-	2,610
Net assets released from restrictions	2,804,915	(2,804,915)	-	-	2,577,442	(2,577,442)	-	-
Total revenues, gains, and other support	3,931,861	95,700	-	4,027,561	4,079,606	170,000	45,000	4,294,606
Expenses								
Program services	3,146,187	-	-	3,146,187	2,914,603	-	-	2,914,603
Management and general	890,227	-	-	890,227	800,094	-	-	800,094
Fundraising	169,861	-	-	169,861	168,329	-	-	168,329
Total expenses	4,206,275	-	-	4,206,275	3,883,026	-	-	3,883,026
Change in net assets	(274,414)	95,700	-	(178,714)	196,580	170,000	45,000	411,580
Net assets, beginning of year	1,686,302	222,289	45,000	1,953,591	1,489,722	52,289	-	1,542,011
Net assets, end of year	\$ 1,411,888	\$ 317,989	\$ 45,000	\$ 1,774,877	\$ 1,686,302	\$ 222,289	\$ 45,000	\$ 1,953,591

See Notes to Financial Statements.

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017			2016		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Functional expenses						
Personnel	\$ 1,920,175	620,168	\$ 2,700,151	\$ 1,818,482	598,826	\$ 2,574,073
Consulting and subcontracting	567,468	80,540	648,064	478,230	60,889	539,143
Program expenses	205,921	3,835	210,966	136,263	2,432	139,068
Building and facilities expenses	254,121	56,725	312,846	316,647	50,963	372,610
Communications	36,676	39,833	78,317	35,234	30,821	68,777
Computer and equipment expenses	86,150	22,333	111,480	55,653	7,540	65,535
Travel and Lodging	9,772	8,347	18,512	-	-	-
Other expenses	65,904	58,446	125,939	74,094	48,623	123,820
Total expenses	\$ 3,146,187	\$ 890,227	\$ 4,206,275	\$ 2,914,603	\$ 800,094	\$ 3,883,026

See Notes to Financial Statements.

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (178,714)	\$ 411,580
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation expense	121,269	123,645
Gain on sale of property	-	(223,014)
Decrease (increase) in assets and increase (decrease) in liabilities		
Receivables, net	16,825	(21,398)
Accounts payable	18,223	(58,622)
Accrued liabilities	(89,746)	33,184
	(112,143)	265,375
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(41,853)	(104,223)
Proceeds from sale of property	-	409,375
	(41,853)	305,152
Net increase (decrease) in cash and cash equivalents	(153,996)	570,527
Cash and cash equivalents at beginning of year	839,432	268,905
Cash and cash equivalents at end of year	\$ 685,436	\$ 839,432

SUPPLEMENTAL SCHEDULE ON NON-CASH INVESTING AND FINANCING ACTIVITIES AND CERTAIN CASH FLOW INFORMATION:

There were no non-cash investing and financing activities during the years ended August 31, 2017 and 2016.

See Notes to Financial Statements.

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Meridian Education Resource Group, Inc. d/b/a Whitefoord, Inc. (the “Organization”) is a Georgia nonprofit Corporation founded in 1995. Its purpose is to provide support for families and children of the Edgewood/Whitefoord and surrounding community, to improve health outcome, school readiness, and school performance. The Organization has multiple relationships with various established agencies with certain mutually established goals. These joint efforts, except where specified, are informal, non-contractual, and are intended to benefit the community by providing services related to health, education, childcare, literacy, and family preservation.

A summary of the significant accounting policies of the Organization applied in the preparation of the accompanying financial statements follows:

Revenue Recognition

Revenue is recognized as services are provided, promises to give are made, and contributions are made to the Organization.

Certain program income related to the Organization’s medical and dental clinics is funded by patient health insurance, Medicare or Medicaid, based on approved rates. Allowances for contractual adjustments related to these transactions are made as required.

Grants and gifts of cash are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Financial Statement Presentation

The Organization’s financial statements are prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities* (ASC 958). Under ASC 958, 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. In addition, the Organization is required to present a statement of cash flows and to disclose information about functional expenses.

Unrestricted net assets include amounts that are not subject to donor-imposed stipulations used to account for resources available to carry out the purposes of the Organization in accordance with the limitations of its bylaws. The principal sources of unrestricted funds are private donations and grants.

Temporarily restricted net assets are those resources currently available for use, but expendable only for purposes specified by the donor or grantor and may or will be met by actions of the Organization and/or the passage of time. Such resources originate from contributions restricted for specific purposes or a specific future time frame. When a donor or grantor 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. Temporarily restricted net assets at August 31, 2017 and 2016 are available to support the Organization’s program activities as stated in the donor/grant letters.

Permanently restricted net assets are permanently subject to donor-imposed restrictions. Permanently restricted net assets at August 31, 2017 and 2016 consists of one donor’s contribution of \$45,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as an increase 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.

In-kind donations of equipment and materials are reported at fair market value as of the date of the gift. Only donated services, which would otherwise have to be purchased from a vendor, are reflected in the financial statements. No amounts have been reflected in the financial statements for the cost of donated materials or services for the years ended August 31, 2017 and 2016.

Grants Receivable

Grants receivable represents funds due to the Organization for providing services in accordance with the grant and contractual agreements.

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in the collection of all receivables. The estimated losses, if any, are based on historical collection experience coupled with a review of all existing receivables. In 2017, the Organization recorded an allowance for doubtful accounts of \$9,000; however, no allowance was considered necessary at August 31, 2016. An allowance has been made for agreed-upon contractual adjustments related to program income funded by the clinic patients' health insurance.

Property and Equipment

Property and equipment additions with a cost in excess of \$1,000 and a useful life in excess of one year are capitalized.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives using the straight-line method. The basis of valuation for depreciable assets is historical cost or fair value at the date of the gift for donated property.

The estimated useful lives of the various classes of assets are as follows:

<u>Class of Asset</u>	<u>Estimated Useful Life (years)</u>
Buildings	31.5
Building improvements	15
Computers and equipment	3-5
Furniture and fixtures	7
Vehicles	5

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The Organization allocates its expenses on a functional basis for its program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, are principally grants receivable and promises to give. Concentrations of credit risk with respect to grants receivable and promises to give is limited due to the number of agencies the Organization deals with and the credit worthiness of the agencies themselves. To reduce risk, the Organization routinely assesses the financial strength of the agencies it deals with and, as a consequence, believes that its credit risk is limited.

Income Taxes

The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that the Organization is not a private foundation as defined by Section 509(a)(1) of the Code.

FASB ASC 740, *Income Taxes* (ASC 740), requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. Only tax positions that meet the more likely than not recognition threshold may be recognized.

Management does not believe that the Organization has any material uncertain tax positions at August 31, 2017 and 2016.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Compensated Absences

Annual leave is accrued monthly at rates determined by years of service to the Organization. Employees are limited to 80 hours total and must have worked with the Organization for more than 6 months to be eligible for any payout. At August 31, 2017 and 2016, the Organization has recorded an accrual for annual leave in the amount of \$46,055 and \$48,581, respectively.

Endowment Accounting

Permanent endowment funds are subject to the restrictions of the gift instruments which require that the principal be invested in perpetuity. Unless explicitly stated in the gift instrument, accumulated realized and unrealized gains of the permanent endowment funds have been classified as temporarily restricted net assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Accounting (Continued)

AADD adopted *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. See Note 6 for discussion on endowment accounting.

NOTE 2. COMMITMENTS AND CONTINGENCIES

Commitments

In February 2010, in order to formalize the varying levels of relationship that have existed for more than 15 years, the Organization entered into an employee lease agreement with Emory University (“Emory”). The agreement was for an initial period of twenty-five months ending February 2012 with provisions for three annual consecutive automatic renewals. The most recent renewal extends the period through February 2018. The agreement is cancelable by either party with practical advance written notice. Under the terms of the agreement, Emory will lease to the Organization a mutually agreed upon number of employees to perform non-faculty member services as defined. Emory is responsible for all employment related obligations for each leased employee. The Organization will pay Emory monthly for agreed-upon fees related to each leased employee. All program fees, as defined, shall also be payable to or retained by the Organization. In the event that such payments are made directly to Emory or its leased employees, such payments shall be immediately remitted by Emory or its leased employees to the Organization.

The Organization leases certain space from Dekalb County that is used to operate a health center. The lease is for one year ending July 2015 with two automatic annual renewals available, both of which have been exercised. In July 2017 when the renewal period concluded, the Organization’s lease became a month-to-month arrangement. The Organization pays \$4,350 per month rent for the space. The lease is cancelable by Dekalb County.

Contingencies

The Organization has cash deposits with a financial institution, which fluctuate from time to time in excess of federally insured limits. If this financial institution were not to honor its contractual liability, the Organization could incur losses. Management is of the opinion that there is no risk of loss due to the financial strength of the financial institution.

From time to time, the Organization may have asserted and unasserted claims arising in the normal course of business. The Organization does not expect losses, if any, arising from these asserted and unasserted claims to have a material effect on the financial statements.

NOTE 3. ECONOMIC DEPENDENCY

The Organization receives the majority of its revenue and support from grant contracts with federal, state, and local governments and private foundations. The future receipt of such funding, however, is indeterminate due to the uncertainty of grant resources in future years. Should this support be discontinued, the Organization would have to replace this funding from other sources or discontinue certain of its programs.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. BOARD DESIGNATED NET ASSETS

During the year ended August 31, 2009, the Organization's Board chose to require a minimum cash balance of \$600,000 which would serve as 2 to 3 months of operating reserve. During the year ended August 31, 2015, the Organization's cash balance dropped below the minimum balance requirement due to the purchase of new property. The Board approved the use of the funds for the property purchase. During the year ended August 31, 2016, the funds were replenished with sales proceeds when two other properties were sold.

NOTE 5. RESTRICTED NET ASSETS

For the years ended August 31, 2017 and 2016, temporarily restricted net assets were released from restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2017	2016
<u>Health Center contributions and grants</u>		
Family Planning	\$ 34,324	\$ 11,458
NAEYC Re-accreditation	-	25,000
Health Education	30,000	45,000
Capital	-	129,305
Operations	2,140,311	1,832,521
Behavioral Health	36,000	-
King Middle School Equipment	20,500	-
<u>Education program contributions and grants</u>		
Need-based Scholarships	35,000	100,000
Professional Development	40,000	-
Family Engagement	10,000	-
Operations	-	25,000
NAEYC accreditation	-	20,000
Early Learning Academy	57,500	-
Pre-K program	183,268	143,932
Meal Services	41,000	38,113
Child Development	60,216	78,620
After-School program	116,796	128,493
	\$ 2,804,915	\$ 2,577,442

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets are available for the following donor restricted purposes at August 31, 2017 and 2016:

	2017	2016
<u>Health Center</u>		
Family Planning	\$ 24,117	\$ 24,117
Earned Benefit Enrollment	1,915	1,915
Implementation Incentive	26,257	26,257
Capital Improvements	14,700	-
Behavioral Health	14,000	-
King Middle School Equipment	24,500	-
<u>Education program</u>		
Need-based scholarship	45,000	80,000
Professional development	20,000	60,000
Family engagement	5,000	15,000
Early Learning Academy	142,500	-
Education program	-	15,000
	\$ 317,989	\$ 222,289

Temporarily restricted net assets consist of the following as of August 31, 2017 and 2016:

	2017	2016
Cash	\$ 317,989	\$ 222,289

Permanently restricted net assets are available for the following donor restricted purposes at August 31, 2017 and 2016:

	2017	2016
Education program	\$ 45,000	\$ 45,000

Permanently restricted net assets consist of the following as of August 31, 2017 and 2016:

	2017	2016
Cash	\$ 45,000	\$ 45,000

NOTES TO FINANCIAL STATEMENTS

NOTE 6. ENDOWMENT

As of August 31, 2017 and 2016, the Organization's endowment consisted of one donor-restricted fund established to support the Education program. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization's Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund As of August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 45,000	\$ -
	\$ -	\$ -	\$ 45,000	\$ -

Changes in Endowment Net Assets For the Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 45,000	\$ 45,000
Contribution	-	-	-	-
	\$ -	\$ -	\$ 45,000	\$ 45,000

NOTES TO FINANCIAL STATEMENTS

NOTE 6. ENDOWMENT (Continued)

Endowment Net Asset Composition by Type of Fund As of August 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 45,000	\$ 45,000
	\$ -	\$ -	\$ 45,000	\$ 45,000

Changes in Endowment Net Assets For the Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Contribution	-	-	45,000	45,000
	\$ -	\$ -	\$ 45,000	\$ 45,000

Description of Amounts Classified as Permanently Restricted Net Assets (Endowment Only)

	August 31,	
	2017	2016
Permanently Restricted Net Assets The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 45,000	\$ 45,000
Total endowment funds classified as permanently restricted net assets	\$ 45,000	\$ 45,000

NOTE 7. RETIREMENT PLAN

The Organization sponsors a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code (the "Plan"). The Plan covers substantially all employees who meet certain age and length of service requirements. Under the Plan, employees may make contributions up to the maximum amount allowed by the Plan. The Plan also provides for a discretionary contribution from the Organization. There were discretionary contributions to the Plan of approximately \$36,000 and \$54,000 during the years ended August 31, 2017 and 2016, respectively.

NOTE 8. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2016, a foundation having a common board member with the Organization contributed approximately \$675,000 to the Organization. During 2017, this individual no longer served as a board member of the Organization.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 24, 2018, which is the date that the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITIES BY FUNCTION
YEAR ENDED AUGUST 31, 2017

	Program Services		Fundraising	Management and General	Total
	Education	Health Center	Fundraising/ Marketing and Development	Management and General	
Revenue, gains, and other support					
Governmental grants and contracts	\$ 342,113	\$ 1,422,153	\$ -	\$ 267,045	\$ 2,031,311
Private grants, gifts, and contributions	378,946	219,324	102,770	420,229	1,121,269
Program service fees and other support	419,428	453,969	-	1,584	874,981
Total revenue, gains, and other support	1,140,487	2,095,446	102,770	688,858	4,027,561
Expenses					
Personnel	783,039	1,137,136	159,808	620,168	2,700,151
Consulting and subcontracting	91,341	476,127	56	80,540	648,064
Program expenses	121,108	84,813	1,210	3,835	210,966
Building and facilities expenses	81,538	172,583	2,000	56,725	312,846
Communications	13,745	22,931	1,808	39,833	78,317
Computer and equipment expenses	13,921	72,229	2,997	22,333	111,480
Travel and lodging	4,390	5,382	393	8,347	18,512
Other costs	14,984	50,920	1,589	58,446	125,939
Total expenses	1,124,066	2,022,121	169,861	890,227	4,206,275
Change in net assets	\$ 16,421	\$ 73,325	\$ (67,091)	\$ (201,369)	\$ (178,714)

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITIES BY FUNCTION
YEAR ENDED AUGUST 31, 2016

	Program Services		Fundraising	Management and General	Total
	Education	Health Center	Fundraising/ Marketing and Development	Management and General	
Revenue, gains, and other support					
Governmental grants and contracts	\$ 310,538	\$ 1,173,779	\$ -	\$ 227,263	\$ 1,711,580
Private gifts and grants	642,681	146,213	172,373	448,867	1,410,134
Program service fees and other support	<u>422,707</u>	<u>525,238</u>	<u>-</u>	<u>224,947</u>	<u>1,172,892</u>
Total revenue, gains, and other support	1,375,926	1,845,230	172,373	901,077	4,294,606
Expenses					
Personnel	774,077	1,044,405	156,765	598,826	2,574,073
Consulting and subcontracting	44,898	433,332	24	60,889	539,143
Program expenses	83,196	53,067	373	2,432	139,068
Building and facilities expenses	150,252	166,395	5,000	50,963	372,610
Communications	8,951	26,283	2,722	30,821	68,777
Computer and equipment expenses	8,740	46,913	2,342	7,540	65,535
Travel and lodging	3,766	9,619	81	6,630	20,096
Other costs	<u>10,929</u>	<u>49,780</u>	<u>1,022</u>	<u>41,993</u>	<u>103,724</u>
Total expenses	<u>1,084,809</u>	<u>1,829,794</u>	<u>168,329</u>	<u>800,094</u>	<u>3,883,026</u>
Change in net assets	<u>\$ 291,117</u>	<u>\$ 15,436</u>	<u>\$ 4,044</u>	<u>\$ 100,983</u>	<u>\$ 411,580</u>

SINGLE AUDIT SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

**To the Board of Directors
Meridian Education Resource Group, Inc.
d/b/a Whitefoord, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meridian Education Resource Group, Inc. d/b/a Whitefoord, Inc., which comprise the statement of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 24, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**To the Board of Directors
Meridian Education Resource Group, Inc.
d/b/a Whitefoord, Inc.**

Report on Compliance for Each Major Federal Program

We have audited Meridian Education Resource Group, Inc. d/b/a Whitefoord, Inc.'s compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 24, 2018

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Award Receivable September 1, 2016</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>	<u>Federal Award Receivable August 31, 2017</u>
<u>U.S. Department of Health and Human Services</u>					
* Health Center Program Cluster (HRSA)	93.224	\$ -	\$ 1,626,327	\$ 1,626,327	\$ -
Grants for Capital Development in Health Centers	93.526	-	-	14,700	14,700
Family Planning Services (Pass-Through from Family Health Centers of Georgia)	93.217	-	26,283	34,324	8,041
Temporary Assistance for Needy Families (Pass-Through from State of Georgia)	93.558	<u>15,297</u>	<u>89,783</u>	<u>91,673</u>	<u>17,187</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 15,297</u>	<u>\$ 1,742,393</u>	<u>\$ 1,767,024</u>	<u>\$ 39,928</u>

* Denotes Major Program

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Meridian Education Resource Group, Inc. d/b/a Whitefoord, Inc. under programs of the federal government for the year ended August 31, 2017. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

Meridian Education Resource Group, Inc. d/b/a Whitefoord, Inc. has elected to use the 22% federally approved indirect cost rate allowed under Uniform Guidance.

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements:

	Unmodified	
	Yes	No
Type of auditors' report issued		
Internal control over financial reporting:		
Material weaknesses identified?		X
Significant deficiencies identified not considered to be material weaknesses?		None Reported
Noncompliance material to the financial statements noted?		X

Federal Awards:

Internal controls over major programs:		
Material weaknesses identified?		X
Significant deficiencies identified not considered to be material weaknesses?		None Reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Audit findings required to be reported in accordance with 2 CFR Section 200.516(a)	None	

Identification of major programs:

93.224 U.S. Department of Health and Human Services – Health Center Program Cluster

Dollar threshold used to distinguish between Type A and type B programs	\$ 750,000	
	Yes	No
Auditee qualified as low-risk auditee?	X	
Financial Statement Findings?		X
Federal Award Findings Questioned Costs?		X

MERIDIAN EDUCATION RESOURCE GROUP, INC.
d/b/a WHITEFOORD, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

II. FINANCIAL STATEMENT FINDINGS:

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

NONE