
MERCY CONFERENCE AND RETREAT CENTER

FINANCIAL STATEMENTS

JUNE 30, 2019



CPAs and Business Advisors

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Contents

Page

Independent Accountant's Review Report.....	1
--	----------

Financial Statements

Statement of Financial Position.....	2
--------------------------------------	---

Statement of Activities	3
-------------------------------	---

Statement of Functional Expenses	4
--	---

Statement of Cash Flows.....	5
------------------------------	---

Notes to Financial Statements.....	6-16
------------------------------------	------



CPAs and Business Advisors

Independent Accountant's Review Report

To the Board of Directors
Mercy Conference and Retreat Center
St. Louis, Missouri

We have reviewed the accompanying financial statements of *Mercy Conference and Retreat Center* (a nonprofit organization) (the "Center"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. 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 do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Purk & Associates, P.C.'.

St. Louis, Missouri
February 4, 2020



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MERCY CONFERENCE AND RETREAT CENTER**STATEMENT OF FINANCIAL POSITION****JUNE 30, 2019**

Assets**Current Assets**

Cash	\$	57,118
Accounts receivable		57,825
Promises to give		35,000
Inventory		2,570
Prepaid expenses		<u>3,259</u>
Total Current Assets		<u>155,772</u>

Furniture and Equipment, Net		<u>53,877</u>
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Investments, at Fair Value		<u>2,912,207</u>
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Total Assets	\$	<u><u>3,121,856</u></u>
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Liabilities and Net Assets**Current Liabilities**

Accounts payable	\$	5,772
Due to related party		11,962
Accrued payroll and salary related expenses		37,014
Deferred revenue		<u>91,582</u>
Total Current Liabilities		<u>146,330</u>

Net Assets

Without donor restrictions		
Undesignated		74,239
Board designated		<u>2,842,931</u>
Total net assets without donor restrictions		2,917,170

With donor restrictions		<u>58,356</u>
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Total Net Assets		<u>2,975,526</u>
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Total Liabilities and Net Assets	\$	<u><u>3,121,856</u></u>
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MERCY CONFERENCE AND RETREAT CENTER

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Program services:			
Hosted conferences/retreats	\$ 690,705	\$ -	\$ 690,705
CRM sponsored programs	78,469	-	78,469
Spiritual direction/private retreats	77,396	-	77,396
Gift shop and other	27,098	-	27,098
Less: Discounts	(38,102)	-	(38,102)
Total Program Services	<u>835,566</u>	<u>-</u>	<u>835,566</u>
Managed services revenue	10,350	-	10,350
Rental revenue	27,180	-	27,180
Contributions	29,425	51,000	80,425
Other grant revenue	15,406	-	15,406
In-kind goods and service contributions	17,553	-	17,553
Donated rent revenue	368,519	-	368,519
Special events, net of expenses of \$6,435	10,407	-	10,407
Net assets released from restrictions	38,640	(38,640)	-
Total Support and Revenue	<u>1,353,046</u>	<u>12,360</u>	<u>1,365,406</u>
Expenses:			
Program services:			
Hosted conferences/retreats	1,103,122	-	1,103,122
MCRC - sponsored programs	254,649	-	254,649
Spiritual direction/private retreats	199,870	-	199,870
Total Program Services	<u>1,557,641</u>	<u>-</u>	<u>1,557,641</u>
Supporting activities:			
Management and general	88,944	-	88,944
Fundraising	111,203	-	111,203
Total Supporting Activities	<u>200,147</u>	<u>-</u>	<u>200,147</u>
Total Expenses	<u>1,757,788</u>	<u>-</u>	<u>1,757,788</u>
Change in Net Assets Before Investment Income, Net	<u>(404,742)</u>	<u>12,360</u>	<u>(392,382)</u>
Investment Income, Net			
Interest and dividends	76,219	-	76,219
Unrealized losses on investments	(14,403)	-	(14,403)
Realized gains on investments	111,619	-	111,619
Investment fees	(14,037)	-	(14,037)
Total Investment Income, Net	<u>159,398</u>	<u>-</u>	<u>159,398</u>
Change in Net Assets	<u>(245,344)</u>	<u>12,360</u>	<u>(232,984)</u>
Net Assets, Beginning of Year	<u>3,162,514</u>	<u>45,996</u>	<u>3,208,510</u>
Net Assets, End of Year	<u>\$ 2,917,170</u>	<u>\$ 58,356</u>	<u>\$ 2,975,526</u>

MERCY CONFERENCE AND RETREAT CENTER

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Activities		
	Hosted Conferences/ Retreats	MCRC Sponsored Programs	Spiritual		Management and General	Fundraising	Total
			Direction/ Private Retreats	Total Program Services			
Lay salaries	\$ 213,607	\$ 117,987	\$ 61,244	\$ 392,838	\$ 38,587	\$ 52,724	\$ 484,149
Sisters salaries	7,740	-	40,635	48,375	-	-	48,375
Lay benefits	58,267	31,782	17,215	107,264	10,594	14,567	132,425
Sisters benefits	542	-	2,843	3,385	-	-	3,385
Administrative	21,990	2,346	2,052	26,388	1,466	1,466	29,320
Chapel	5,598	560	490	6,648	-	350	6,998
Computer	16,192	1,727	1,512	19,431	1,079	1,079	21,589
CRM speaker fees	-	19,883	-	19,883	-	-	19,883
Depreciation	3,569	381	333	4,283	238	238	4,759
Dietary	212,287	19,980	17,482	249,749	-	-	249,749
Gift shop	-	-	3,560	3,560	-	3,559	7,119
Housekeeping	4,780	450	393	5,623	-	-	5,623
In-kind services	3,840	384	336	4,560	-	240	4,800
Insurance	13,772	1,469	1,286	16,527	918	918	18,363
Rent and purchased services	540,938	57,700	50,489	649,127	36,062	36,062	721,251
Total Functional Expenses	\$ 1,103,122	\$ 254,649	\$ 199,870	\$ 1,557,641	\$ 88,944	\$ 111,203	\$ 1,757,788

MERCY CONFERENCE AND RETREAT CENTER

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019****Cash Flows from Operating Activities:**

Change in Net Assets	\$	(232,984)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation		4,759
Bad debt write-offs		1,875
Unrealized losses on investments		14,403
Realized gains on investments		(111,619)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		(32,862)
(Increase) decrease in promises to give		1,850
(Increase) decrease in prepaid expenses		573
Increase (decrease) in accounts payable		3,550
Increase (decrease) in due to related party		11,160
Increase (decrease) in accrued payroll and salary related expenses		1,425
Increase (decrease) in deferred revenue		<u>42,481</u>
Net Cash Used In Operating Activities		<u>(295,389)</u>

Cash Flows from Investing Activities:

Proceeds from sale of investments	430,000
Purchase of fixed assets	(42,883)
Purchase of investments, net	<u>(62,181)</u>
Net Cash Provided By Investing Activities	<u>324,936</u>

Net Increase in Cash 29,547

Cash - Beginning of Year 27,571

Cash - End of Year \$ 57,118

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. NATURE OF ORGANIZATION

Mercy Conference and Retreat Center (the “Center”) is a not-for-profit organization incorporated in Missouri on June 10, 2008. Situated on a 72 acre campus in St. Louis, Missouri, the Center operates a conference and retreat facility which serves both groups and individuals, and offers a spacious setting and supportive atmosphere for professional, educational, and spiritual activities.

From 1975 to 1991, the Center was owned and operated as a division of the Sisters of Mercy of the Union-United States, St. Louis Province, and from 1991 to 2008, as a division of the Sisters of Mercy of the Americas, St. Louis Regional Community. As part of an organizational restructuring in 2008, the St. Louis Regional Community combined with other communities to form the Sisters of Mercy of the Americas South Central Community (“Sisters of Mercy”), and the Center incorporated in 2008 as a separate legal entity. The Sisters of Mercy continue to exercise control over the Center’s operations under certain corporate governance powers reserved exclusively to the Sisters of Mercy under the Center’s by-laws, including approval of the Center’s Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The FASB issued new guidance for the presentation of financial statements of not-for-profits to enhance the understandability of the financial statements and provide more relevant information as presented under Accounting Standards Update 2016-14 (“ASU 2016-14”) – Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided by expenses and investment return. The Center has adjusted the presentation of these financials accordingly.

Under this revised guidance, the Center adopted the following presentations:

- Net asset classifications are shown as both “without donor restrictions” and “with donor restrictions.” The Center has presented these two classes of net assets on the financial statements.

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of management and the Board of Directors.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

- Investment returns, if applicable, are reported net of external and direct internal investment expenses.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

- The Center presents their expenses by both their natural classification and their functional classification on the statement of functional expenses. The method used to allocate costs among programs and supporting activities is disclosed in the notes to the financials.
- New disclosures related to liquidity and availability of resources is presented in the notes to the financials, including qualitative information that discloses how the Center manages its liquid resources to meet its cash flow needs and quantitative information regarding the availability of financial assets to meet these needs.

Use of Estimates

The Center 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. Actual results could differ from those estimates.

Cash

Cash consists of a business checking account held with a national commercial bank.

Accounts Receivable

Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is provided. If amounts become uncollectible, they will be charged to operations when that determination is made. Bad debt expense totaled \$1,875 for the year ended June 30, 2019.

Promises to Give

Unconditional promises to give are recognized as support in the period in which such promises are received. Conditional promises, which depend upon the specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met. Promises to give are reported at the amount management expects to collect on balances outstanding at year end, and promises to give are expected to be collected within one year.

The Sisters of Mercy provide funding for the Center's activities. During 2019, the Sisters of Mercy notified the Center it would receive \$35,000 of funding during fiscal year 2020. The Center recorded this amount as a promise to give and restricted contribution as of June 30, 2019.

Inventory

Inventory consists of gift shop merchandise recorded at cost on a first-in-first-out basis.

Furniture and Equipment

The Center capitalizes all furniture and equipment expenditures with a cost of \$5,000 or more and having estimated useful lives of more than one year. Maintenance and repairs which are not considered to extend useful lives of assets are charged to operations as incurred. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any resulting gains or losses are included in income (expense) for the year. Donations of equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. The Center recorded in-kind contributions of \$12,753 for the year ended June 30, 2019.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

Depreciation is calculated with the straight-line method over the estimated useful lives of the assets, which is 7 years for furniture and equipment.

Investments

Investments are reported at fair value. Gains and losses on sales of investments are determined on a specific cost identification method. Unrealized gains and losses are based on year-end reported fair values.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Deferred Revenue

Deferred revenue represents deposits received from groups and individuals for future conferences, retreats, or programs which are hosted or conducted by the Center, and such amounts are recorded as revenue in the period when the applicable conference, retreat, or program occurs.

Support and Revenue with or without Donor Restrictions

Contributions and grants received are recorded as either with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. The Center reports gifts of cash and other assets 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, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As permitted under FASB ASC 958-205 and ASU 2016-14, the Center reports contributions and grants with donor restrictions as support and revenue without donor restrictions in the current year when the Center meets the donor restrictions in the same period. Noncash donations for special events are recorded as contributions at their fair values at the date of donation.

Donated Services and Facilities

Contributions of donated services that create or enhance non-financial assets, or that require specialized skills, are provided by individuals possessing those skills and typically would need to be purchased, if not provided by donation, are recorded at their fair values in the period received. The Center recorded in-kind service revenue and expense of \$4,800 for the year ended June 30, 2019.

The Center recognizes donated rent revenue and expense in the statement of activities for the excess of the fair value of rent over the rent amount charged and paid by the Center under the terms of its lease agreement with Sisters of Mercy. During the year ended June 30, 2019, donated rent was \$368,519.

The Center receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC 958-605 have not been satisfied.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program – Includes those expenditures that enable the Center to operate its conference and retreat programs:

Hosted Conferences/Retreats – Day and overnight events held at the Center which are sponsored by independent groups (community, faith-based, and nonprofit). The Center provides housing, meals/food services, meeting rooms and conference planning services.

MCRC Sponsored Programs – Day and overnight events sponsored by the Center, including: retreats, days of reflection, workshops, musical experiences, and spiritually based yoga classes. The Center provides housing, meals/food services, meeting rooms, and secures presenters. All programs are promoted through mailing, on the web, via e-blasts, and other social media.

Spiritual Direction/Private Retreats – The Center offers programs for individuals who stay for one or more days of private reflection or individually directed retreats (which includes provision of housing and meals). Spiritual direction is provided (whether by our staff or through rent paid by adjunct spiritual directors) as well as healing touch and therapeutic massage/bodywork (through rent paid by adjunct RSMs and others).

Revenues earned from the Center's programs are reflected in the statement of activities net of the charitable, courtesy, professional and other discounts which are regularly provided to groups utilizing the Center's facilities. For the year ended June 30, 2019, these discounts totaled \$38,102.

Management and General - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Center's program strategy; secure proper administrative functioning of the Board; and manage the financial and budgetary responsibilities of the Center.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, corporations, and foundations in the form of gifts, as well as through fundraising events.

Program and Supporting Activities - Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The functional expenses are allocated to programs, management and general, and fundraising by management's level of effort in each program. Their estimate portrays a realistic assessment of how much time and funding is utilized in each functional area.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

The expenses that are allocated include the following:

Expense	Method of Allocation
Lay salaries	Effort allocation by management
Sisters salaries	Effort allocation by management
Lay benefits	Effort allocation by management
Sisters benefits	Effort allocation by management
Administrative	Effort allocation by management
Chapel	Effort allocation by management
Computer	Effort allocation by management
CRM speaker fees	Effort allocation by management
Depreciation	Effort allocation by management
Dietary	Effort allocation by management
Gift shop	Effort allocation by management
Housekeeping	Effort allocation by management
In-kind services	Effort allocation by management
Insurance	Effort allocation by management
Rent and purchased services	Effort allocation by management

Income Taxes

The Center is recognized by the Internal Revenue Service as an exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity. Therefore, the Center is exempt from Federal and State income taxes.

Generally Accepted Accounting Principles in the United States ("U.S. GAAP") prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than not to be sustained upon examination by taxing authorities. Management believes there are no material uncertain tax positions to be accounted for in the financial statements in accordance with U.S. GAAP as of June 30, 2019.

Fair Value Measurements

Financial Accounting Standards Board ("FASB") *Accounting Standards Codification* ("ASC") 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Fair Value Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

Level 2 Fair Value Measurements

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See Note 4 regarding the Center's investments and the appropriate classification according to this fair value hierarchy.

The carrying amounts of cash, accounts receivable, promises to give, accounts payable, accrued payroll and salary related expenses, and deferred revenue approximate fair value due to the short period to maturity.

Recent Accounting Pronouncements

Lease Accounting and Presentation

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option.

Under ASU 2016-02, leases will continue to be differentiated between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position.

For finance leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
2. Recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of activities.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

3. Classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows.

For operating leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
2. Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.
3. Classify all cash payments within operating activities within the statement of cash flows.

For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. Upon adoption, a modified retrospective approach shall be applied to all periods presented. Management is currently evaluating the impact ASU 2016-02 will have on the financial statements.

Management is currently evaluating the potential impact this standard will have on the Center's financial statements.

Accounting Standards Update 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU introduced a comprehensive, principles-based framework for recognizing revenue, and, when effective, will supersede the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and virtually all industry-specific revenue recognition guidance in the FASB ASC. The ASU is intended to improve GAAP by providing a framework to address revenue recognition issues, creating more consistency and comparability of revenue recognition practices across entities and industries, and improving the usefulness of information provided to financial statement users through more robust disclosure requirements. Subsequent to the issuance of ASU 2014-09, the FASB issued a number of ASUs clarifying certain matters in ASU 2014-09. Those subsequent ASUs have the same effective dates as ASU 2014-09 (see discussion in the following paragraph).

In August 2015, the original effective dates of ASU 2014-09 were deferred by one year through the issuance of ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. For nonpublic entities, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is allowed for nonpublic entities, but no earlier than annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. Alternatively, the ASU can be applied to annual reporting periods beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the year of initial adoption.

Management is currently evaluating the potential impact this standard will have on the Center's financial statements.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

Subsequent Events

Management has evaluated the impact on the financial statements, if any, of subsequent events through February 4, 2020, which is the date the financial statements were available to be issued.

3. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30, 2019

Furniture and equipment	\$	<u>86,967</u>
Sub-total		86,967
Less: Accumulated depreciation		<u>33,090</u>
Furniture and equipment, net	\$	<u><u>53,877</u></u>

For the year ended June 30, 2019, depreciation charged to expense totaled \$4,759.

4. INVESTMENTS, AT FAIR VALUE AND BOARD DESIGNATED ENDOWMENT

Investments at fair value consist of the following at June 30, 2019:

	<u>Units</u>		<u>Amount</u>
70/30 Sponsored Ministry Fund	672,861	\$	1,335,082
60/40 Sponsored Ministry Fund	704,896		1,328,756
Cash Fund	242,315		<u>248,369</u>
		\$	<u><u>2,912,207</u></u>

The sponsored ministry funds are balanced funds which target holdings in equities and holdings in bonds and fixed income securities. Withdrawals from the investment funds are limited to \$100,000 per day and require one business day's notification for each \$100,000 requested. At June 30, 2019, fair value was \$2,912,207 and cost was \$2,926,610, resulting in a cumulative unrealized loss of \$14,403.

All investments are classified within Level 2 of the fair value hierarchy as the unit values of the funds are based on the unit values calculated for the pooled funds. The calculated unit values are based on aggregation of values for the individual securities comprising the pools, which are based on quoted prices in active markets for identical or similar assets.

The Board of Directors has designated these investments as an endowment, and has adopted investment and spending policies that attempt to provide a predictable stream of funding to operations and programs while seeking to maintain the purchasing power and long-term growth of the investments. The Board restricts the use of the endowment to 7% or less of the investment balance as of April 1 each year to fund the Center's operations, unless the Board approves additional appropriations. As of April 1, 2019, the fair value of the endowment investments was \$2,891,005, and therefore, the Center was limited to \$202,370 for use during fiscal year 2019 for operations.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

However during the 2017 fiscal year, the Board approved the use of up to \$750,000 for staffing and resources necessary to continue growing the ministry of which only \$250,000 was transferred from the investments in fiscal year 2017, resulting in \$500,000 in additional appropriations available for disbursement in 2018.

During 2018, the Center transferred \$426,000 of investments to cash accounts for use in operations of which \$203,093 was previously reclassified as board designated in 2017, leaving \$296,907 available for disbursement in 2019.

During 2019, the Center transferred \$430,000 of investments to cash accounts for use in operations of which \$227,630 was previously classified as board designated in 2018, resulting in \$69,277 available for disbursement in 2020.

Under this spending policy, Board designated net assets represent \$2,842,931 of the total investment balance of \$2,912,207 as of June 30, 2019.

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

Board designated endowment net assets - July 1, 2018	\$	2,885,903
Investment income, net		159,398
Appropriation of endowment assets for expenditure		<u>(202,370)</u>
Board designated endowment net assets - June 30, 2019	\$	<u>2,842,931</u>

5. RESTRICTED NET ASSETS

Donor restricted net assets are subject to the following donor-imposed time and purpose restrictions as of June 30, 2019:

Time restricted - Sisters of Mercy	\$	35,000
Purpose restricted:		
DOCFSL Fund		205
EAP Fund		2,500
Miriam Nolan Scholarship Fund		4,651
Duchesne Fund		<u>16,000</u>
	\$	<u>58,356</u>

Net assets were released from donor restrictions during fiscal year 2019 as follows:

Time restricted - Sisters of Mercy	\$	35,000
Purpose restricted:		
DOCFSL Fund		3,295
Miriam Nolan Scholarship Fund		<u>345</u>
	\$	<u>38,640</u>

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

6. LEASES

The Center's facilities are currently being leased from the Sisters of Mercy, a related party, under an amended and restated lease agreement dated June 19, 2019. Contractual rent expense under this operating agreement for the period ended June 30, 2019 totaled \$624,000. However, of this amount, \$368,519 was forgiven by the Sisters of Mercy and shown as in-kind rental contribution by the Center. This in-kind rental contribution represents the difference of the fair value of rent, as determined by an independent appraisal, and the amount charged to and paid by the Center for the year ended June 30, 2019.

Future minimum lease payments are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Market Rate</u> <u>Rent</u>	<u>Annual</u> <u>Forgiveness</u>	<u>Minimum</u> <u>Lease</u> <u>Payment</u>
2019-2020	\$ <u>624,000</u>	\$ <u>(360,854)</u>	\$ <u>263,146</u>

7. RETIREMENT PLAN

The Center established a 403(b) retirement plan, a defined contribution plan, on November 25, 2008, covering all employees. Employees become eligible immediately upon hire. The Center matches 100% of each participant's contributions to the plan up to 3% of the participant's compensation. Employer discretionary contributions are allowed. The Center's contributions to the 403(b) plan were \$14,416 during fiscal year 2019.

8. RELATED PARTIES

The Sisters of Mercy exercise control over the Center's operations under certain corporate governance powers reserved exclusively to the Sisters of Mercy under the Center's by-laws, including approval of the Center's Board of Directors. During fiscal year 2019, the Sisters of Mercy made cash contributions of \$35,000 to the Center, and the Center purchased dietary and housekeeping services from the Sisters of Mercy totaling \$97,251 under a Purchased Services Agreement. Outstanding amounts payable to the Sisters of Mercy totaled \$11,962 as of June 30, 2019.

MIA-USA Fundraising, Inc. is a related party by virtue of common control. Transactions with MIA-USA Fundraising, Inc. during fiscal year 2019 consisted of managed services revenue of \$10,350 and rental revenue of \$27,180.

Mercy Investment Services, Inc. is a related party by virtue of common control. Transactions with Mercy Investment Services, Inc. during fiscal year 2019 consisted of investment fees expensed and paid of \$14,037.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Center's financial assets as of the balance sheet date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for the following:

Financial assets at year end:	
Cash and cash equivalents	\$ 57,118
Accounts receivable	57,825
Investments	<u>2,912,207</u>
Total financial assets	<u>3,027,150</u>

Less those unavailable for general expenditure within one year:	
Accounts payable	5,772
Due to related party	11,962
Accrued payroll and salary related expenses	37,014
Donor restricted net assets	58,356
Board designated net assets	<u>2,842,931</u>
Total unavailable	<u>2,956,035</u>

Financial assets available to meet cash needs	
for general expenditures within one year	\$ <u>71,115</u>

As disclosed in Note 4, the Board restricts the use of the investment endowment to 7% or less of the investment balance as of April 1st of each year. These funds would increase the financial assets available to meet cash needs for general expenditures within one year. This amount is undeterminable at this time.

The Center's goal is generally to maintain financial assets to meet operating expenses in the near term. As part of its liquidity plan, excess cash, as it becomes available, is invested into the investment vehicle managed by a related party. In the event that additional funds are needed to fund operations, the Center would draw upon the investment vehicle for short term needs.