

MERCY CENTER CORPORATION

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

September 24, 2021

To the Board of Trustees
Mercy Center Corporation
Asbury Park, New Jersey

Opinion

We have audited the accompanying financial statements of Mercy Center Corporation (the "Corporation") which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 the Corporation as of June 30, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits 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 the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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 the Corporation'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 audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

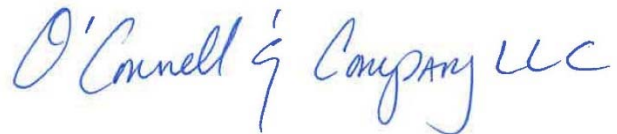
Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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, including omissions, 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 the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounts policies 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 the Corporation'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.



O'Connell and Company, LLC

MERCY CENTER CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 816,414	\$ 626,455
Investments	1,308,393	1,433,193
Pledges receivable	337,434	296,506
Grants receivable	13,495	22,810
Other current assets	7,490	4,827
Fixed assets - net	<u>3,418,131</u>	<u>3,473,113</u>
TOTAL ASSETS	<u><u>\$ 5,901,357</u></u>	<u><u>\$ 5,856,904</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 16,066	\$ 7,199
Accrued expenses	43,178	34,746
Loan payable	50,000	50,000
Loan payable - Paycheck Protection Program	<u>-</u>	<u>153,776</u>
Total Liabilities	109,244	245,721
Net Assets		
Without donor restrictions	5,352,797	5,087,905
With donor restrictions		
Purpose restrictions	52,069	176,059
Time restrictions	337,247	297,219
Perpetual in nature	<u>50,000</u>	<u>50,000</u>
Total with donor restrictions	<u>439,316</u>	<u>523,278</u>
Total Net Assets	<u>5,792,113</u>	<u>5,611,183</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,901,357</u></u>	<u><u>\$ 5,856,904</u></u>

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

MERCY CENTER CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Grants	\$ 762,952	\$ -	\$ 762,952	\$ 609,585	\$ 40,000	\$ 649,585
Contributions	856,657	225,020	1,081,677	949,054	455,633	1,404,687
Contributed services	67,716	-	67,716	140,263	-	140,263
Investment income	205,781	19,487	225,268	24,349	215	24,564
Tuition	-	-	-	24,146	-	24,146
Special events, net of expenses of \$0 and \$7,830 in 2021 and 2020, respectively	-	-	-	24,573	-	24,573
Extinguishment of debt	154,966	-	154,966			
Other income	1,950	-	1,950	1,211	-	1,211
Satisfaction of program restrictions	136,990	(136,990)	-	179,878	(179,878)	-
Satisfaction of time restrictions	171,992	(171,992)	-	169,819	(169,819)	-
Endowment transfer	19,487	(19,487)	-	215	(215)	-
TOTAL REVENUES AND OTHER SUPPORT	2,378,491	(83,962)	2,294,529	2,123,093	145,936	2,269,029
EXPENSES AND OTHER CHARGES						
Program Expenses						
Elementary Education	896,951	-	896,951	1,092,204	-	1,092,204
Aid to the Needy	853,517	-	853,517	682,406	-	682,406
Total Program Expenses	1,750,468	-	1,750,468	1,774,610	-	1,774,610
Management and General	261,006	-	261,006	251,057	-	251,057
Development	102,125	-	102,125	110,866	-	110,866
TOTAL EXPENSES AND OTHER CHARGES	2,113,599	-	2,113,599	2,136,533	-	2,136,533
INCREASE (DECREASE) IN NET ASSETS	264,892	(83,962)	180,930	(13,440)	145,936	132,496
NET ASSETS - Beginning of Year	5,087,905	523,278	5,611,183	5,101,345	377,342	5,478,687
NET ASSETS - End of Year	\$ 5,352,797	\$ 439,316	\$ 5,792,113	\$ 5,087,905	\$ 523,278	\$ 5,611,183

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

MERCY CENTER CORPORATION

STATEMENTS OF FUNCTIONAL EXPENDITURES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021						2020					
	Program Expenses			Management and			Program Expenses			Management and		
	Elementary Education	Aid to the Needy	Total	General	Development	Total	Elementary Education	Aid to the Needy	Total	General	Development	Total
Salaries and wages	\$ 477,467	\$ 537,363	\$ 1,014,830	\$ 103,079	\$ 72,000	\$ 1,189,909	\$ 623,540	\$ 477,125	\$ 1,100,665	\$ 169,579	\$ 72,000	\$ 1,342,244
Payroll taxes	45,049	43,796	88,845	6,301	5,508	100,654	44,310	38,960	83,270	9,307	5,508	98,085
Accounting and auditing	2,000	6,474	8,474	1,526	-	10,000	4,340	4,580	8,920	4,580	-	13,500
Administrative fees	7,033	-	7,033	39,548	-	46,581	13,737	-	13,737	26,234	-	39,971
Advertising	4,675	170	4,845	978	-	5,823	1,856	656	2,512	75	-	2,587
Alarm system	8,798	1,063	9,861	1,778	-	11,639	4,171	1,682	5,853	237	-	6,090
Auto expense	(1,050)	253	(797)	116	-	(681)	101	1,061	1,162	229	-	1,391
Background verification	-	-	-	-	-	-	79	-	79	-	-	79
Bus rental	-	-	-	-	-	-	6,874	-	6,874	-	-	6,874
Cleaning	33,239	6,143	39,382	14,153	-	53,535	39,368	4,857	44,225	6,100	-	50,325
Consultants	11,340	18,920	30,260	1,576	-	31,836	-	5,267	5,267	4,883	-	10,150
Depreciation	125,764	19,971	145,735	8,559	-	154,294	125,608	19,339	144,947	8,288	-	153,235
Educational association dues	200	-	200	-	-	200	2,904	-	2,904	-	-	2,904
Employee benefits	39,382	33,484	72,866	293	-	73,159	37,870	28,489	66,359	(1,474)	-	64,885
Equipment	-	(1,179)	(1,179)	-	-	(1,179)	34,495	985	35,480	-	-	35,480
Extracurricular activities	(282)	-	(282)	-	-	(282)	(71)	-	(71)	-	-	(71)
Fundraising	-	-	-	-	24,617	24,617	-	-	-	-	33,358	33,358
Hospitality	1,358	56	1,414	62,133	-	63,547	4,520	109	4,629	4,282	-	8,911
Insurance	38,292	11,985	50,277	7,492	-	57,769	33,417	12,737	46,154	9,095	-	55,249
Interest	-	-	-	1,190	-	1,190	-	-	-	236	-	236
Internet and computer technology	6,727	2,016	8,743	752	-	9,495	6,942	3,182	10,124	815	-	10,939
Marketing/Outreach	-	-	-	-	-	-	15,655	2,243	17,898	3,048	-	20,946
Meals	21,897	-	21,897	-	-	21,897	13,509	-	13,509	-	-	13,509
Office supplies	6,729	9,257	15,986	9,891	-	25,877	6,254	5,487	11,741	4,244	-	15,985
Overhead allocation	-	15,600	15,600	(15,600)	-	-	-	15,600	15,600	(15,600)	-	-
Pest control	825	1,365	2,190	150	-	2,340	675	1,140	1,815	-	-	1,815
Postage	1,101	994	2,095	755	-	2,850	1,966	598	2,564	304	-	2,868
Printing	10,160	761	10,921	2,149	-	13,070	1,828	1,841	3,669	2,177	-	5,846
Rent	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	18,234	5,825	24,059	1,695	-	25,754	16,948	6,268	23,216	3,638	-	26,854
Scholarship	-	-	-	-	-	-	5,905	-	5,905	-	-	5,905
Specific assistance to clients	-	122,403	122,403	3,568	-	125,971	-	31,821	31,821	1,906	-	33,727
Teaching supplies	3,705	-	3,705	-	-	3,705	4,457	-	4,457	-	-	4,457
Telephone	8,342	8,659	17,001	2,307	-	19,308	7,323	6,541	13,864	2,392	-	16,256
Textbooks	-	-	-	-	-	-	242	-	242	-	-	242
Training and conferences	-	243	243	1,210	-	1,453	269	1,151	1,420	119	-	1,539
Travel	-	-	-	-	-	-	-	2,338	2,338	(740)	-	1,598
Utilities	25,966	7,895	33,861	5,407	-	39,268	33,112	8,349	41,461	7,103	-	48,564
	<u>\$ 896,951</u>	<u>\$ 853,517</u>	<u>\$ 1,750,468</u>	<u>\$ 261,006</u>	<u>\$ 102,125</u>	<u>\$ 2,113,599</u>	<u>\$ 1,092,204</u>	<u>\$ 682,406</u>	<u>\$ 1,774,610</u>	<u>\$ 251,057</u>	<u>\$ 110,866</u>	<u>\$ 2,136,533</u>

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

MERCY CENTER CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 180,930	\$ 132,496
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	154,294	153,235
Extinguishment of debt	(154,966)	-
(Gain) Loss on investments	(210,043)	2,160
Accrued interest - Paycheck Protection Program	1,190	236
Changes in operating assets and liabilities		
(Increase) Decrease		
Pledges receivable	(40,928)	(50,815)
Grants receivable	9,315	18,386
Other current assets	(2,663)	7,956
Increase (Decrease)		
Accounts payable	8,867	1,920
Accrued expenses	8,432	7,687
Prepaid tuition	-	(12,902)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(45,572)</u>	<u>260,359</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(99,312)	(62,091)
Sale of investments	548,775	189,701
Purchase of investments	(213,932)	(12,332)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>235,531</u>	<u>115,278</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan - Paycheck Protection Program	-	153,540
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>153,540</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	189,959	529,177
CASH AND CASH EQUIVALENTS - Beginning of year	<u>626,455</u>	<u>97,278</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 816,414</u>	<u>\$ 626,455</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Interest capitalized	<u>\$ -</u>	<u>\$ -</u>

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

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Mercy Center Corporation, (the "Corporation"), a not-for-profit organization, conducts social supportive services for the working poor, outreach services for the mentally ill, behavioral health services for families and children, mentoring programs for juveniles, and operates an educational program for young girls of elementary school age. The objectives of the Corporation's programs are funded by volunteer services, contributions, and grants-in-aid. Prior to July 1, 2021, the Corporation was sponsored by the Sisters of Mercy of the Americas, Mid-Atlantic Community, Inc. (SOM), which was the sole member of the Corporation. As of July 1, 2021, the Sisters of Mercy of the Americas, Mid-Atlantic Community, Inc. were reorganized into the Sisters of Mercy of the Americas, which is now the sole member of the Corporation as of July 1, 2021. The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, there is no income tax applicable to its activities.

The Corporation operates the Family Resource Center, which served 271 individuals during fiscal year 2021. These services included 5 programs, 2,752 individual counseling sessions, 329 contacts (intakes, assessments, office and home visits), 207 referrals to partner agencies, and 7 services provided by Community Victim Witness Advocates to victims and survivors of crimes. Additionally, emergency services were provided to 1,011 people, including 321 families receiving food, 79 Thanksgiving baskets to feed 348 people, and 400 Christmas toys donated to children.

The Corporation also operates Sisters Academy of New Jersey, which helps underserved and economically disadvantaged girls in grades five through eight. The Academy enjoys tremendous success with its girls, where all of the 8th graders go on to graduate from high school. The Academy is supported by the Alumnae Association.

The Corporation's charitable activities are supported by 6 volunteers who donated over 2,376 hours of time to the Corporation during the fiscal year 2021.

The Corporation's revenues come primarily through grants and contributions.

1 Summary of Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Accrual Basis -- The financial statements of the Corporation have been prepared on the accrual basis.

Cash and Cash Equivalents -- For the statement of cash flows, the Corporation includes cash on deposit, cash on hand and money market funds.

Investments -- Investments are reported in the financial statements at fair value. Investments include certificates of deposit and multi-asset mutual funds.

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1 Summary of Significant Accounting Policies (Continued)

Grants Receivable -- Grants receivable, less an appropriate allowance, are reported at their net present value. The Corporation provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Pledges Receivable -- These amounts, less an appropriate allowance, are reported at their present value.

Land, Building and Equipment -- The Corporation capitalized fixed assets at cost and donated assets at their fair value. The Corporation's policy is to capitalize major improvements to buildings and grounds with a cost of \$2,500 or more and equipment with a unit cost of \$1,000 or more. Depreciation is calculated on the straight-line method based on the estimated useful lives of the assets set forth below:

Buildings and improvements	10 - 39 years
Other furniture and equipment	3 - 7 years

Contributions -- The Corporation records contributions of cash and other assets when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either without donor restriction or with donor restriction, depending on whether the donor has imposed a restriction on the use of such assets.

Advertising -- The Corporation follows the policy of charging the costs of advertising to expense as incurred.

Net Assets -- Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period when the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1 Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses -- The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes -- The Corporation is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Corporation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions. The Corporation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Fair Value Measurements -- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term as the financial instrument. Alternative investments' fair value are based on their net asset value per unit as reported by their managers.

Level 3 - Inputs to the valuation methodology are unobservable.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1 Summary of Significant Accounting Policies (Continued)

Assets and liabilities that are measured at fair value are based on one or more of the three valuation techniques that follow:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

2 Concentration of Risk

The Corporation maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. Management believes the Corporation is not exposed to any significant credit risk related to cash and cash equivalents.

3 Liquidity

The table below represents financial assets available for general expenditures within one year at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 816,414	\$ 626,455
Investments	1,308,393	1,433,193
Pledges receivable	337,434	296,506
Grants receivable	<u>13,495</u>	<u>22,810</u>
Total financial assets	2,475,736	2,378,964
Less amounts not available to be used within one year:		
Endowment funds with liquidity horizons greater than one year	50,000	50,000
Pledges receivable	<u>248,844</u>	<u>226,461</u>
Financial assets not available to be used within one year	<u>298,844</u>	<u>276,461</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,176,892</u>	<u>\$ 2,102,503</u>

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

3 Liquidity (Continued)

The Corporation has certain donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Corporation has other donor-restricted assets that are not available for general expenditure within one year in the normal course of operations. These assets limited to use, which are more fully described in Notes 11 and 12 are not available for general expenditure within the next year.

4 Related Party Transactions

Payments to SOM

A total of \$34,850 and \$167,754 was paid to SOM for the services of Sisters who are assigned to the Corporation for the years ended June 30, 2021 and 2020, respectively.

Donations from SOM

SOM donated \$82,597 and \$25,000 to the Corporation during the years ended June 30, 2021 and 2020, respectively.

5 Investments

The following tables set forth by level, within the fair value hierarchy, the Center's investments as of June 30, 2021 and 2020:

	<u>Investments at Fair Values as of June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mercy Investment Services - Multi Asset Mutual Funds 80/20	\$ 1,171,106	\$ -	\$ -	\$ 1,171,106
Certificates of deposit	<u>137,287</u>	<u>-</u>	<u>-</u>	<u>137,287</u>
	<u>\$ 1,308,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,308,393</u>

	<u>Investments at Fair Values as of June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mercy Investment Services - Multi Asset Mutual Funds 80/20	\$ 745,646	\$ -	\$ -	\$ 745,646
Certificates of deposit	<u>687,547</u>	<u>-</u>	<u>-</u>	<u>687,547</u>
	<u>\$ 1,433,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,433,193</u>

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

5 Investments (Continued)

Investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 19,539	\$ 30,301
Gain (Loss) on investments	210,043	(2,160)
Investment fees	(4,314)	(3,577)
	<u>\$ 225,268</u>	<u>\$ 24,564</u>

6 Grants Receivable

In general, grants-in-aid are made available to the Corporation through applications and agreements with funding agencies which might base their payments upon reimbursement of reported eligible expenses or limitations dictated by their own budget restraints. As of June 30, 2021 and 2020, amounts due to the Corporation in connection with such agreements totaled \$13,495 and \$22,810, respectively. Management expects the receivables to be collected prior to September 30, 2021.

7 Pledges Receivable

The Corporation has received gifts in the form of pledges to be paid in installments. The pledges have been reported at their net present value utilizing a discount rate of 3.5%. Administration has made a provision for pledges doubtful of collection in the amount of \$79,383. The pledge receivable balance was \$337,434 at June 30, 2021.

The pledges are expected to be received as follows:

2022	\$ 182,764
2023	111,310
2024	82,715
2025	48,069
2026	3,000
Thereafter	<u>3,937</u>
	431,795
Less provision for pledges doubtful of collection	(79,383)
Less present value adjustment	<u>(14,978)</u>
	<u>\$ 337,434</u>

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

8 Fixed Assets

Below is a summary of fixed assets as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land/land improvements	\$ 325,236	\$ 325,236
Building and improvements	4,824,520	4,759,450
Other furniture and equipment	<u>626,803</u>	<u>592,561</u>
	5,776,559	5,677,247
Less: accumulated depreciation	<u>(2,358,428)</u>	<u>(2,204,134)</u>
	<u>\$ 3,418,131</u>	<u>\$ 3,473,113</u>

Depreciation expense was \$154,294 and \$153,235 for the years ended June 30, 2021 and 2020, respectively.

9 Notes Payable

The Corporation was indebted to the Diocese of Trenton, New Jersey in the amount of \$50,000 for each of the years ended June 30, 2021 and 2020 on an unsecured promissory note payable on demand. The note is non-interest bearing.

10 Loan Payable - Paycheck Protection Program

The Corporation received a \$153,540 loan through the U.S. Small Business Administration's Paycheck Protection Program (PPP Loan) on May 1, 2020. The PPP Loan program was authorized as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was signed into law on March 27, 2020. Small businesses and eligible not-for-profit organizations were encouraged to apply for the PPP Loan to help retain their current employees and their salary levels during the COVID-19 pandemic. The PPP Loan and accrued interest are eligible to be forgiven if the Corporation maintains its employee count and salary level; and uses the fund for payroll and payroll related costs, interest on mortgages, rent, and utilities; and if 60% of the loan proceeds are used for payroll and payroll related costs.

The Corporation has elected to account for the PPP Loan as a financial liability in accordance with FASB ASC 470 which prohibits the Corporation from recognizing forgiveness of the loan and gain on extinguishment until they are released as the primary obligator. In April 2021, the Corporation applied for and received forgiveness of the PPP Loan and related accrued interest from the Small Business Administration. The amount of loan forgiveness is reported as "Extinguishment of Debt" on the related statement of activities.

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

11 Net Assets with Donor Restrictions

Net assets with donor restriction are available for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Passage of Time		
Circle of Mercy campaign	\$ 337,247	\$ 297,219
Specified Purpose		
Academy tuition	-	90,000
Fatherhood Empowerment program	13,726	33,600
Resiliency program	21,907	19,922
Youth With A Purpose	16,436	26,942
Academy repairs/improvements	-	5,595
Academy operations	-	-
	<u>52,069</u>	<u>176,059</u>
Endowments		
Subject to endowment spending policy	<u>50,000</u>	<u>50,000</u>
Total donor assets with restrictions	<u>\$ 439,316</u>	<u>\$ 523,278</u>

Net assets were reduced from donor restriction by incurring expenses satisfying the restricted purpose or by occurrences of other events specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Purpose Restriction Accomplished		
Academy tuition	\$ 90,000	\$ 15,000
Academy operations	-	15,000
Fatherhood Empowerment program	22,872	33,914
Resiliency program	8,019	6,264
Academy repairs/improvements	5,595	101,405
Youth With A Purpose	10,504	8,295
	<u>\$ 136,990</u>	<u>\$ 179,878</u>
Passage of Time Accomplished		
Academy operations	<u>\$ 171,992</u>	<u>\$ 169,819</u>
	<u>\$ 171,992</u>	<u>\$ 169,819</u>

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

12 Endowment

The Corporation has adopted a total return investment policy in accordance with state law. The primary investment objective is to maximize long-term return through a combination of income and capital appreciation achieved in a prudent manner. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate as measured by the Consumer Price Index. The investment policy of the Corporation will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, management judgment regarding the allocation of assets among different kinds of asset classes, identification of appropriate investment vehicles, and the making of specific investment decisions.

The Corporation's investments consists of multi-asset mutual funds. The Corporation has adopted a policy of spending all income earned on the investments. The Corporation's goal is to preserve the purchasing power of the endowed assets. The distribution or spending of the aggregate amount is first guided by the individual endowment agreements. In the absence of individual endowment agreements, the distribution or spending is determined by the Corporation's Board.

The Corporation's endowment consists of one fund established primarily to support general operations. The endowment includes only donor restricted endowment funds. As required by accounting standards generally accepted in the United States of America, net assets associated with endowment funds, including board designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Corporation has interpreted the New Jersey state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent of explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions - perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) enhancements or diminishments of the fund from investment income, loss, and spending allowance. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions - perpetual in nature is classified as net assets without donor restrictions since the interest and dividends are to be used to support general operations in a manner consistent with New Jersey law.

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets.

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

12 Endowment (Continued)

Strategies Employed for Achieving Objectives

Beginning in the fiscal year ending June 30, 2016, to satisfy its long-term rate-of-return objectives, the Corporation will rely on a total return strategy in which investment returns will be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) by investing in multi-asset mutual funds.

The Corporation's endowment net assets had the following activity for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 50,000	\$ 50,000
Investment income	19,487	215
Spending allowance	<u>(19,487)</u>	<u>(215)</u>
Changes in net assets	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 50,000</u>	<u>\$ 50,000</u>

13 Compensated Absences

Employees of the Corporation are entitled to paid vacations, sick days and other time off depending on length of services and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when paid to employees.

14 Contributed Services

The Corporation received volunteer tutoring and Mercy Center support services, valued utilizing the average hourly rate of \$28.50 for various positions in the Northeastern United States.

Below is a schedule of contributed services at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Tutoring at Sisters Academy	\$ 10,716	\$ 93,100
Mercy Center	<u>57,000</u>	<u>47,163</u>
	<u>\$ 67,716</u>	<u>\$ 140,263</u>

15 Subsequent Event

The Corporation has evaluated all subsequent events through September 24, 2021, the date the financial statements were available to be issued.