

---

MERCY CONFERENCE AND RETREAT CENTER  
FINANCIAL STATEMENTS

JUNE 30, 2016

---



CPAs and Business Advisors

**Achieve More.**

1034 S. Brentwood Boulevard, Suite 2000  
St. Louis, MO 63117  
office: 314.884.4000  
fax: 314.884.4001  
[www.purkpc.com](http://www.purkpc.com)

## Contents

---

|  | Page |
|--|------|
| Independent Auditors' Report.....      | 1-2  |
| Financial Statements                   |      |
| Statement of Financial Position.....   | 3    |
| Statement of Activities .....          | 4    |
| Statement of Functional Expenses ..... | 5    |
| Statement of Cash Flows.....           | 6    |
| Notes to Financial Statements.....     | 7-14 |

## Independent Auditors' Report

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

We have audited the accompanying financial statements of *Mercy Conference and Retreat Center* (the "Center"), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses, and cash flows for the year 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



1034 S. Brentwood Boulevard, Suite 2000  
St. Louis, MO 63117  
office: 314.884.4000  
fax: 314.884.4001

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Mercy Conference and Retreat Center* as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Pink & Associates, P.C.*

St. Louis, Missouri  
January 18, 2017

---

**MERCY CONFERENCE AND RETREAT CENTER****STATEMENT OF FINANCIAL POSITION****JUNE 30, 2016**

---

**Assets****Current Assets**

|                             |    |                |
|-----------------------------|----|----------------|
| Cash                        | \$ | 39,335         |
| Accounts receivable         |    | 62,806         |
| Promises to give            |    | 36,850         |
| Inventory                   |    | 9,775          |
| Prepaid expenses            |    | 12,146         |
| <b>Total Current Assets</b> |    | <b>160,912</b> |

|                    |  |                  |
|--------------------|--|------------------|
| <b>Investments</b> |  | <b>3,258,027</b> |
|--------------------|--|------------------|

|                     |           |                  |
|---------------------|-----------|------------------|
| <b>Total Assets</b> | <b>\$</b> | <b>3,418,939</b> |
|---------------------|-----------|------------------|

**Liabilities and Net Assets****Current Liabilities**

|   |    |               |
|---|----|---------------|
| Accounts payable                            | \$ | 13,798        |
| Due to related party                        |    | 19,562        |
| Accrued payroll and salary related expenses |    | 24,637        |
| Deferred revenue                            |    | 36,949        |
| <b>Total Current Liabilities</b>            |    | <b>94,946</b> |

**Net Assets**

|                           |  |                  |
|---------------------------|--|------------------|
| Unrestricted              |  |                  |
| Undesignated              |  | 24,653           |
| Board designated          |  | 3,258,027        |
| <b>Total unrestricted</b> |  | <b>3,282,680</b> |

|                         |  |                  |
|-------------------------|--|------------------|
| Temporarily restricted  |  | 41,313           |
| <b>Total Net Assets</b> |  | <b>3,323,993</b> |

|   |           |                  |
|---|-----------|------------------|
| <b>Total Liabilities and Net Assets</b> | <b>\$</b> | <b>3,418,939</b> |
|---|-----------|------------------|



# MERCY CONFERENCE AND RETREAT CENTER

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|---------------------|
| <b>Support and Revenue:</b>                 |                     |                                   |                     |
| Program services:                           |                     |                                   |                     |
| Hosted conferences/retreats                 | \$ 844,875          | \$ -                              | \$ 844,875          |
| CRM sponsored programs                      | 65,688              | -                                 | 65,688              |
| Spiritual direction/private retreats        | 94,232              | -                                 | 94,232              |
| Gift shop and other                         | 48,056              | -                                 | 48,056              |
| Less: Discounts                             | <u>(57,576)</u>     | <u>-</u>                          | <u>(57,576)</u>     |
| <b>Total Program Services</b>               | 995,275             | -                                 | 995,275             |
| Managed services revenue                    | 38,400              | -                                 | 38,400              |
| Rental revenue                              | 27,180              | -                                 | 27,180              |
| Contributions                               | 18,539              | 36,931                            | 55,470              |
| In-kind service contributions               | 9,375               | -                                 | 9,375               |
| Donated rent revenue                        | 456,996             | -                                 | 456,996             |
| Special events, net of expenses of \$12,939 | 13,009              | -                                 | 13,009              |
| Release from temporary restrictions         | <u>36,694</u>       | <u>(36,694)</u>                   | <u>-</u>            |
| <b>Total Support and Revenue</b>            | <u>1,595,468</u>    | <u>237</u>                        | <u>1,595,705</u>    |
| <b>Expenses:</b>                            |                     |                                   |                     |
| Program services:                           |                     |                                   |                     |
| Hosted conferences/retreats                 | 1,108,924           | -                                 | 1,108,924           |
| Spiritual, private and sponsored programs   | <u>361,007</u>      | <u>-</u>                          | <u>361,007</u>      |
| <b>Total Program Services</b>               | <u>1,469,931</u>    | <u>-</u>                          | <u>1,469,931</u>    |
| Supporting activities:                      |                     |                                   |                     |
| Management and general                      | 78,696              | -                                 | 78,696              |
| Fundraising                                 | <u>67,605</u>       | <u>-</u>                          | <u>67,605</u>       |
| <b>Total Supporting Activities</b>          | <u>146,301</u>      | <u>-</u>                          | <u>146,301</u>      |
| <b>Total Expenses</b>                       | <u>1,616,232</u>    | <u>-</u>                          | <u>1,616,232</u>    |
| <b>Change in Net Assets Before</b>          |                     |                                   |                     |
| <b>Investment Income, Net</b>               | <u>(20,764)</u>     | <u>237</u>                        | <u>(20,527)</u>     |
| <b>Investment Income, Net</b>               |                     |                                   |                     |
| Interest and dividends                      | 72,095              | -                                 | 72,095              |
| Unrealized losses on investments            | (59,109)            | -                                 | (59,109)            |
| Realized gains on investments               | 4,657               | -                                 | 4,657               |
| Investment fees                             | <u>(16,792)</u>     | <u>-</u>                          | <u>(16,792)</u>     |
| <b>Total Investment Income, Net</b>         | <u>851</u>          | <u>-</u>                          | <u>851</u>          |
| <b>Change in Net Assets</b>                 | (19,913)            | 237                               | (19,676)            |
| <b>Net Assets, Beginning of Year</b>        | <u>3,302,593</u>    | <u>41,076</u>                     | <u>3,343,669</u>    |
| <b>Net Assets, End of Year</b>              | \$ <u>3,282,680</u> | \$ <u>41,313</u>                  | \$ <u>3,323,993</u> |

# MERCY CONFERENCE AND RETREAT CENTER

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016

|                             | Program Services                   |  |              | Supporting Activities        |                              |              |       |
|-----------------------------|------------------------------------|--|--------------|------------------------------|------------------------------|--------------|-------|
|                             | Hosted<br>Conferences/<br>Retreats | Spiritual,<br>Private and<br>Sponsored<br>Programs |              | Total<br>Program<br>Services | Management<br>and<br>General | Fundraising  | Total |
|                             |                                    |  |              |                              |                              |              |       |
| Lay salaries                | \$ 200,019                         | \$ 78,190  | \$ 278,209   | \$ 38,730                    | \$ 14,657                    | \$ 331,596   |       |
| Sisters salaries            | 15,912                             | 83,724   | 99,636       | -                            | -                            | 99,636       |       |
| Lay benefits                | 57,213                             | 22,371   | 79,584       | 9,164                        | 4,192                        | 92,940       |       |
| Sisters benefits            | 1,591                              | 5,972  | 7,563        | -                            | -                            | 7,563        |       |
| Total personnel expenses    | 274,735                            | 190,257  | 464,992      | 47,894                       | 18,849                       | 531,735      |       |
| Administrative              | 22,906                             | 4,460  | 27,366       | -                            | 1,593                        | 28,959       |       |
| Chapel                      | 2,913                              | 567  | 3,480        | -                            | 203                          | 3,683        |       |
| Computer                    | 18,973                             | 3,694  | 22,667       | -                            | 1,319                        | 23,986       |       |
| CRM speaker fees            | -                                  | 19,407   | 19,407       | -                            | -                            | 19,407       |       |
| Depreciation                | 4,369                              | 851  | 5,220        | -                            | 303                          | 5,523        |       |
| Dietary                     | 119,022                            | 10,915   | 129,937      | -                            | -                            | 129,937      |       |
| Gift shop                   | -                                  | 3,488  | 3,488        | -                            | -                            | 3,488        |       |
| Housekeeping                | 4,694                              | 504  | 5,198        | -                            | -                            | 5,198        |       |
| In-kind services            | 9,375                              | -  | 9,375        | -                            | -                            | 9,375        |       |
| Insurance                   | 10,573                             | 2,058  | 12,631       | -                            | 735                          | 13,366       |       |
| Rent and purchased services | 641,364                            | 124,806  | 766,170      | 30,802                       | 44,603                       | 841,575      |       |
| Total Functional Expenses   | \$ 1,108,924                       | \$ 361,007   | \$ 1,469,931 | \$ 78,696                    | \$ 67,605                    | \$ 1,616,232 |       |

---

**MERCY CONFERENCE AND RETREAT CENTER****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

---

**Cash Flows From Operating Activities:**

|  |    |              |
|--|----|--------------|
| Change in Net Assets   | \$ | (19,676)     |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |    |              |
| Depreciation   |    | 5,523        |
| Unrealized losses on investments   |    | 59,109       |
| Realized gains on investments  |    | (4,657)      |
| Change in assets and liabilities:  |    |              |
| Accounts receivable  |    | (14,338)     |
| Inventory  |    | (1,332)      |
| Prepaid expenses   |    | 620          |
| Accounts payable   |    | 762          |
| Due to related party   |    | 302          |
| Accrued payroll and salary related expenses  |    | (5,708)      |
| Deferred revenue   |    | (13,650)     |
| Net Cash Provided By Operating Activities  |    | <u>6,955</u> |

**Cash Flows from Investing Activities:**

|                                       |  |                 |
|---------------------------------------|--|-----------------|
| Proceeds from sale of investments     |  | 60,000          |
| Purchase of investments               |  | <u>(90,303)</u> |
| Net Cash Used In Investing Activities |  | <u>(30,303)</u> |

Net Decrease in Cash (23,348)

Cash - Beginning of Year 62,683

Cash - End of Year \$ 39,335



# MERCY CONFERENCE AND RETREAT CENTER

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

#### Basis of Presentation

The accompanying financial statements of the Center have been prepared on the accrual basis of accounting.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") ASC 958-205, *Presentation of Financial Statements for Not-For-Profit Entities*. Under FASB ASC 958-205, the Center 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.

Unrestricted net assets represent those net assets that are not subject to donor-imposed stipulations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily restricted net assets represent those net assets whose use has been limited by donor-imposed stipulations that either can be fulfilled or removed by actions of the Center pursuant to those stipulations or expire by the passage of time.

Permanently restricted net assets represent those net assets whose use has been limited by donor-imposed stipulations that must be maintained permanently by the Center. The Center has no permanently restricted net assets.

#### 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.

#### 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. There was no bad debt expense for the year ended June 30, 2016.

---

## MERCY CONFERENCE AND RETREAT CENTER

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

---

#### 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 2016, the Sisters of Mercy notified the Center it would receive \$35,000 of funding during fiscal year 2017. The Center recorded this amount as a promise to give and temporarily restricted contribution as of June 30, 2016.

#### Inventory

Inventory consists of gift shop merchandise, dietary food, and dietary supplies inventory recorded at cost on a first-in-first-out basis.

#### Furniture and Equipment

Furniture and equipment purchased by the Center are valued at cost. Donated assets are recorded at fair value at the date of the donation. Depreciation is computed on a straight-line method over the estimated useful life of four years. All furniture and equipment assets were fully depreciated as of June 30, 2016. Depreciation expense was \$5,523 for the year ended June 30, 2016.

#### 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.

#### Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As permitted under FASB ASC 958-205, the Center reports temporarily restricted contributions as unrestricted support in the current year when the Center meets the donor restrictions in the same period.



---

## MERCY CONFERENCE AND RETREAT CENTER

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

#### **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 \$9,375 for the year ended June 30, 2016.

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, 2016, donated rent was \$456,996.

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.

#### **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.

**Spiritual, Private and Sponsored Programs** – All activities sponsored by the Center, including: retreats, days of reflection, book studies, musical experiences, and spiritually based yoga classes; programs for individuals who stay for one or more days for private reflection or individually directed retreats; services of spiritual direction, healing touch, and therapeutic massage/bodywork; and gift shop and spiritual book sales.

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, 2016, these discounts totaled \$57,576.

**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.

---

## MERCY CONFERENCE AND RETREAT CENTER

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

#### Functional Expense Allocation

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

#### 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 ("GAAP") prescribe 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 GAAP as of June 30, 2016.

#### 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.

##### *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.



---

## MERCY CONFERENCE AND RETREAT CENTER

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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 2 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**

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.
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, 2019. 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.



---

## MERCY CONFERENCE AND RETREAT CENTER

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

---

#### Subsequent Events

Management has evaluated the impact on the financial statements, if any, of subsequent events through January 18, 2017, which is the date the financial statements were available to be issued.

#### 2. INVESTMENTS AND BOARD DESIGNATED ENDOWMENT

Investments consist of the following at June 30, 2016:

|                               | <u>Units</u> | <u>Amount</u>       |
|-------------------------------|--------------|---------------------|
| 70/30 Sponsored Ministry Fund | 977,562      | \$ 1,494,788        |
| 60/40 Sponsored Ministry Fund | 1,004,661    | 1,497,615           |
| Dreyfus Cash Management       | 265,624      | <u>265,624</u>      |
|                               |              | \$ <u>3,258,027</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, 2016, fair value was \$3,258,027 and cost was \$3,219,778, resulting in a cumulative unrealized gain of \$38,249.

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. As of April 1, 2016, the fair value of the endowment investments was \$3,170,433, and therefore, the Center was limited to \$221,930 for use during fiscal year 2016 for operations. During 2016, the Center transferred \$60,000 of investments to cash accounts for use in operations. Under this spending policy, Board designated net assets represent the entire investment balance of \$3,258,027 as of June 30, 2016.

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

|   |                     |
|---|---------------------|
| Board designated endowment net assets - July 1, 2015  | \$ 3,282,176        |
| Investment income                                     | 851                 |
| Purchase of additional endowment assets               | 35,000              |
| Appropriation of endowment assets for expenditure     | <u>(60,000)</u>     |
| Board designated endowment net assets - June 30, 2016 | \$ <u>3,258,027</u> |

---

## MERCY CONFERENCE AND RETREAT CENTER

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

#### 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are subject to the following donor-imposed time and purpose restrictions as of June 30, 2016:

|                                    |    |               |
|------------------------------------|----|---------------|
| Time restricted - Sisters of Mercy | \$ | 35,000        |
| Purpose restricted:                |    |               |
| EAP Fund                           |    | 2,500         |
| Miriam Nolan Scholarship Fund      |    | <u>3,813</u>  |
|                                    | \$ | <u>41,313</u> |

Net assets were released from donor restrictions during fiscal year 2016 as follows:

|                                    |    |               |
|------------------------------------|----|---------------|
| Time restricted - Sisters of Mercy | \$ | 35,000        |
| Purpose restricted:                |    |               |
| Miriam Nolan Scholarship Fund      |    | <u>1,694</u>  |
|                                    | \$ | <u>36,694</u> |

#### 4. LEASES

The Center's facilities are currently being leased from the Sisters of Mercy, a related party. Future minimum lease payments are as follows:

|      | <u>Market Rate</u>  |    | <u>Annual</u>      |    | <u>Minimum</u> |
|------|---------------------|----|--------------------|----|----------------|
|      | <u>Rent</u>         |    | <u>Forgiveness</u> |    | <u>Lease</u>   |
|      |                     |    |                    |    | <u>Payment</u> |
| 2017 | \$ 624,000          | \$ | (416,000)          | \$ | 208,000        |
| 2018 | <u>624,000</u>      |    | <u>(375,749)</u>   |    | <u>248,251</u> |
|      | \$ <u>1,248,000</u> | \$ | <u>(791,749)</u>   | \$ | <u>456,251</u> |

Rent expense during fiscal year 2016 totaled \$624,000. Rent expense also includes donated rent of \$456,996, representing the difference of the fair value of rent, as determined by an independent appraisal, and the amount charged to and paid by the Center.

#### 5. 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 \$8,815 during fiscal year 2016.

---

## MERCY CONFERENCE AND RETREAT CENTER

### NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

JUNE 30, 2016

#### 6. 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 2016, 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 \$217,575. Outstanding amounts payable to the Sisters of Mercy totaled \$19,562 as of June 30, 2016.

MIA-USA Fundraising, Inc. is a related party by virtue of common control. Transactions with MIA-USA Fundraising, Inc. during fiscal year 2016 consisted of managed services revenue of \$38,400 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 2016 consisted of investment fees of \$16,792.

#### 7. COMMITMENTS AND CONTINGENCIES

The Sisters of Mercy have begun work on a capital improvements project for the entire campus that will ultimately enhance the effectiveness and extend the useful life of the Center's leased space. The Center has been informed that its share of these improvements will be based on the percentage of square footage leased by the Center. This will be achieved through an increase in the Center's annual rent paid to the Sisters of Mercy beginning with the fiscal year 2018 lease agreement.