
MERCY CONFERENCE AND RETREAT CENTER

FINANCIAL STATEMENTS

JUNE 30, 2015



CPAs and Business Advisors

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CPAs and Business Advisors

Independent Accountants' Review Report

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

We have reviewed the accompanying statement of financial position of *Mercy Conference and Retreat Center* (a nonprofit organization) (the "Center") as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Center's 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 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

Purk & Associates, P.C.

St. Louis, MO
September 10, 2015

1034 S. Brentwood Boulevard, Suite 2000
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MERCY CONFERENCE AND RETREAT CENTER

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

Assets

Current Assets

Cash	\$ 62,683
Accounts receivable	48,468
Promises to give	36,850
Inventory	8,443
Prepaid expenses	12,766
Total Current Assets	169,210

Furniture and Equipment, Net	5,523
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Investments	3,282,176
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Total Assets	\$ 3,456,909
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 32,296
Accrued payroll and salary related expenses	30,345
Deferred revenue	50,599
Total Current Liabilities	113,240

Net Assets

Unrestricted	
Undesignated	20,417
Board designated	3,282,176
Total unrestricted	3,302,593

Temporarily restricted	41,076
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Total Net Assets	3,343,669
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Total Liabilities and Net Assets	\$ 3,456,909
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MERCY CONFERENCE AND RETREAT CENTER

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Program services:			
Hosted conferences/retreats	\$ 730,281	\$ -	\$ 730,281
CRM sponsored programs	58,746	-	58,746
Spiritual direction/private retreats	75,666	-	75,666
Gift shop and other	39,742	-	39,742
Allowances	(30,845)	-	(30,845)
Total Program Services	<u>873,590</u>	<u>-</u>	<u>873,590</u>
Managed services revenue	21,850	-	21,850
Rental revenue	13,590	-	13,590
Contributions	11,644	36,220	47,864
In-kind service contributions	11,700	-	11,700
Donated rent revenue	497,549	-	497,549
Special events, net of expenses of \$7,166	3,214	-	3,214
Release from temporary restrictions	36,166	(36,166)	-
Total Support and Revenue	<u>1,469,303</u>	<u>54</u>	<u>1,469,357</u>
Expenses:			
Program services:			
Hosted conferences/retreats	912,858	-	912,858
Spiritual, private and sponsored programs	387,670	-	387,670
Total Program Services	<u>1,300,528</u>	<u>-</u>	<u>1,300,528</u>
Supporting activities:			
Management and general	191,605	-	191,605
Fundraising	68,784	-	68,784
Total Supporting Activities	<u>260,389</u>	<u>-</u>	<u>260,389</u>
Total Expenses	<u>1,560,917</u>	<u>-</u>	<u>1,560,917</u>
Change in Net Assets Before Investment Income, Net	<u>(91,614)</u>	<u>54</u>	<u>(91,560)</u>
Investment Income, Net			
Interest and dividends	74,683	-	74,683
Unrealized losses on investments	(6,199)	-	(6,199)
Realized losses on investments	(7,470)	-	(7,470)
Investment fees	(15,465)	-	(15,465)
Total Investment Income, Net	<u>45,549</u>	<u>-</u>	<u>45,549</u>
Change in Net Assets	<u>(46,065)</u>	<u>54</u>	<u>(46,011)</u>
Net Assets, Beginning of Year	<u>3,348,658</u>	<u>41,022</u>	<u>3,389,680</u>
Net Assets, End of Year	<u>\$ 3,302,593</u>	<u>\$ 41,076</u>	<u>\$ 3,343,669</u>

MERCY CONFERENCE AND RETREAT CENTER

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2015

	Program Services			Supporting Activities		
	Spiritual,			Management and		Total
	Hosted Conferences/ Retreats	Private and Sponsored Programs	Total Program Services	General	Fundraising	
Lay salaries	\$ 171,630	\$ 85,815	\$ 257,445	\$ 48,575	\$ 17,811	\$ 323,831
Sisters salaries	14,650	86,524	101,174	-	-	101,174
Lay benefits	58,306	11,608	69,914	13,191	4,837	87,942
Sisters benefits	<u>1,465</u>	<u>6,056</u>	<u>7,521</u>	<u>-</u>	<u>-</u>	<u>7,521</u>
Total personnel expenses	246,051	190,003	436,054	61,766	22,648	520,468
Administrative	12,386	12,385	24,771	2,949	1,769	29,489
Chapel	2,439	610	3,049	-	-	3,049
Computer	8,609	8,610	17,219	2,050	1,230	20,499
CRM speaker fees	-	18,646	18,646	-	981	19,627
Depreciation	2,784	2,785	5,569	663	398	6,630
Dietary	97,951	9,569	107,520	-	-	107,520
Gift shop	-	3,621	3,621	-	-	3,621
Housekeeping	4,720	1,181	5,901	-	-	5,901
In-kind services	-	11,700	11,700	-	-	11,700
Insurance	5,753	5,753	11,506	1,370	822	13,698
Rent	<u>532,165</u>	<u>122,807</u>	<u>654,972</u>	<u>122,807</u>	<u>40,936</u>	<u>818,715</u>
Total Functional Expenses	\$ <u>912,858</u>	\$ <u>387,670</u>	\$ <u>1,300,528</u>	\$ <u>191,605</u>	\$ <u>68,784</u>	\$ <u>1,560,917</u>

MERCY CONFERENCE AND RETREAT CENTER

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows From Operating Activities:

Change in Net Assets	\$	(46,011)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation		6,630
Unrealized losses on investments		6,199
Realized losses on investments		7,470
Change in assets and liabilities:		
Accounts receivable		(393)
Inventory		489
Prepaid expenses		(12,766)
Accounts payable		(4,277)
Accrued payroll and salary related expenses		(11,158)
Deferred revenue		<u>584</u>
Net Cash Used In Operating Activities		<u>(53,233)</u>

Cash Flows from Investing Activities:

Proceeds from sale of investments	160,001
Purchase of investments	<u>(59,218)</u>
Net Cash Provided by Investing Activities	<u>100,783</u>

Net Increase in Cash 47,550

Cash - Beginning of Year 15,133

Cash - End of Year \$ 62,683

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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. Bad debt expense was \$71 for the year ended June 30, 2015.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

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.

Sisters of Mercy provides funding for the Center's activities. During 2015, the Sisters of Mercy notified the Center it would receive \$35,000 of funding during fiscal year 2016. The Center recorded this amount as a promise to give and temporarily restricted contribution as of June 30, 2015.

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. Accumulated depreciation as of June 30, 2015 was \$20,995. Depreciation expense was \$6,630 for the year ended June 30, 2015.

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, 2015

Donated Services

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 of \$11,700 for the year ended June 30, 2015.

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, 2014, donated rent was \$497,549.

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.

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.

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.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

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, 2015. The Center's Form 990 informational returns are subject to examination by taxing authorities generally for three years after filing.

Fair Value of Financial Instruments

The carrying amounts of 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.

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, 2015

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.

Subsequent Events

Management has evaluated the impact on the financial statements, if any, of subsequent events through September 10, 2015, 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, 2015:

	<u>Units</u>	<u>Amount</u>
70/30 Sponsored Ministry Fund	976,153	\$ 1,497,239
60/40 Sponsored Ministry Fund	1,006,072	1,494,792
Dreyfus Cash Management	290,145	<u>290,145</u>
		\$ <u>3,282,176</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, 2015, fair value was \$3,282,176 and cost was \$3,184,809, resulting in a cumulative unrealized gain of \$97,367.

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, 2015, the fair value of the endowment investments was \$3,274,929, and therefore, the Center was limited to \$229,245 for use during fiscal year 2015 for operations. During 2015, the Center transferred \$160,001 of investments to cash accounts for use in operations. Under this spending policy, Board designated net assets represent the entire investment balance of \$3,282,176 as of June 30, 2015.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

Board designated endowment net assets - July 1, 2014	\$	3,396,628
Investment income		45,549
Appropriation of endowment assets for expenditure		<u>(160,001)</u>
Board designated endowment net assets - June 30, 2015	\$	<u>3,282,176</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are subject to the following donor-imposed time and purpose restrictions as of June 30, 2015:

Time restricted - Sisters of Mercy	\$	35,000
Purpose restricted:		
EAP Fund		2,500
Miriam Nolan Scholarship Fund		<u>3,576</u>
	\$	<u>41,076</u>

Net assets were released from donor restrictions during fiscal year 2015 as follows:

Time restricted - Sisters of Mercy	\$	35,000
Purpose restricted:		
Miriam Nolan Scholarship Fund		<u>1,166</u>
	\$	<u>36,166</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:

2016	\$	167,000
2017		208,000
2018		<u>248,251</u>
	\$	<u>623,251</u>

Total rent expense during fiscal year 2015, including additional purchased services from Sisters of Mercy, was \$818,715. Rent expense also includes donated rent of \$497,549, representing the excess of the fair value of rent, as determined by an independent appraisal, and the amount charged to and paid by the Center.

MERCY CONFERENCE AND RETREAT CENTER

NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

JUNE 30, 2015

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 \$8,190 during fiscal year 2015.