MERCY CENTER, INC.

FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT

AS OF AND FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022

MERCY CENTER, INC.
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AS OF AND FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mercy Center, Inc.:

Opinion

We have audited the accompanying financial statements of Mercy Center, Inc. (the "Center", a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, 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 Mercy Center, Inc. as of June 30, 2023 and 2022, 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 Center 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 Center'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. 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 Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used 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 Center'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.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, the Center adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

Hauppauge, New York
November 30, 2023

MERCY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash	$ 99,265	$ 251,981
Investments	2,778,156	2,206,487
Contributions and grants receivable	639,510	309,850
Government support receivable	453,123	1,181,890
Inventory	7,079	4,793
Prepaid expenses and other assets	38,384	50,642
Current portion of right-of-use asset - operating	150,891	-
Total current assets	4,166,408	4,005,643
Noncurrent assets:		
Property and equipment, net	1,114,917	1,138,164
Right-of-use asset, net - operating	196,690	-
Security deposit	54,167	54,167
Other assets	34,362	44,254
Total noncurrent assets	1,400,136	1,236,585
Total assets	$ 5,566,544	$ 5,242,228
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 134,545	$ 139,124
Deferred rent	-	12,659
Deferred work allowance	-	25,574
Deferred income - Paycheck Protection Program	-	381,577
Current portion of lease liability - operating	195,422	-
Total current liabilities	329,967	558,934
Noncurrent liabilities:		
Deferred rent	-	50,798
Deferred work allowance	-	57,541
Lease liability, net of current portion - operating	260,181	-
Total noncurrent liabilities	260,181	108,339
Total liabilities	590,148	667,273
Net assets:		
Without donor restrictions:		
Operating	2,333,343	2,023,997
Board designated, building	202,381	202,381
Property and equipment	1,114,917	1,087,366
Total net assets without donor restrictions	3,650,641	3,313,744
With donor restrictions	1,325,755	1,261,211
Total net assets	4,976,396	4,574,955
Total liabilities and net assets	$ 5,566,544	$ 5,242,228

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

MERCY CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES:						
Contributions and grants	$ 638,169	$ 894,505	$ 1,532,674	$ 699,016	$ 664,790	$ 1,363,806
Government support	2,646,378	-	2,646,378	2,145,910	-	2,145,910
Donations in-kind	51,229	-	51,229	39,613	-	39,613
Special events, net of direct costs of $174,838 and $145,257, respectively	210,210	-	210,210	269,857	-	269,857
Other revenue	37,876	-	37,876	11,328	-	11,328
Net assets released from restrictions	920,345	(920,345)	-	896,425	(896,425)	-
Total public support and revenues	4,504,207	(25,840)	4,478,367	4,062,149	(231,635)	3,830,514
EXPENSES:						
Program services:						
Adult Education and Workforce Development	78,780	-	78,780	178,194	-	178,194
English for Speakers of Other Languages and Immigrant Services	2,311,831	-	2,311,831	1,871,855	-	1,871,855
Family Programs and Social Services	795,099	-	795,099	670,302	-	670,302
Youth Programs	308,566	-	308,566	294,081	-	294,081
Personnel Development and Community Education	29,588	-	29,588	53,271	-	53,271
Total program services	3,523,864	-	3,523,864	3,067,703	-	3,067,703
Supporting services:						
Administration	331,129	-	331,129	372,355	-	372,355
Fundraising	433,545	-	433,545	435,737	-	435,737
Total supporting services	764,674	-	764,674	808,092	-	808,092
Total expenses	4,288,538	-	4,288,538	3,875,795	-	3,875,795
Increase (decrease) in net assets from operating activities	215,669	(25,840)	189,829	186,354	(231,635)	(45,281)
NONOPERATING ACTIVITIES:						
Investment return, net	121,228	90,384	211,612	(149,609)	(156,259)	(305,868)
Increase (decrease) in net assets from nonoperating activities	121,228	90,384	211,612	(149,609)	(156,259)	(305,868)
CHANGE IN NET ASSETS	336,897	64,544	401,441	36,745	(387,894)	(351,149)
NET ASSETS, BEGINNING OF YEAR	3,313,744	1,261,211	4,574,955	3,276,999	1,649,105	4,926,104
NET ASSETS, END OF YEAR	$ 3,650,641	$ 1,325,755	$ 4,976,396	$ 3,313,744	$ 1,261,211	$ 4,574,955

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

MERCY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services						Supporting Services			
	Adult Education and Workforce Development	English for Speakers of Other Languages and Immigrant Services	Family Programs and Social Services	Youth Programs	Personnel Development and Community Education	Total Program Services	Administration	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 25,640	$ 1,507,449	$ 464,304	$ 182,683	$ 21,757	$ 2,201,833	$ 224,655	$ 282,687	$ 507,342	$ 2,709,175
Payroll taxes and fringe benefits	4,269	232,887	76,490	28,957	4,024	346,627	39,302	38,330	77,632	424,259
Total salaries and related benefits	29,909	1,740,336	540,794	211,640	25,781	2,548,460	263,957	321,017	584,974	3,133,434
Professional fees and contracted services	4,564	124,914	143,910	43,216	1,308	317,912	17,338	44,801	62,139	380,051
Operating lease	29,264	113,690	4,557	50	5	147,566	71	13,337	13,408	160,974
Depreciation and amortization	681	79,210	22,822	10,811	481	114,005	12,439	7,018	19,457	133,462
Occupancy	8,200	55,312	8,572	3,555	275	75,914	4,808	7,596	12,404	88,318
Supplies	637	34,645	18,474	19,794	41	73,591	3,054	1,846	4,900	78,491
Publications, dues and subscriptions	37	43,086	840	474	26	44,463	4,502	3,615	8,117	52,580
Donated services	-	41,905	-	947	263	43,115	5,100	3,014	8,114	51,229
Printing and postage	1,744	18,301	2,810	976	214	24,045	792	12,647	13,439	37,484
Telephone	1,826	20,305	6,181	1,272	166	29,750	1,750	2,266	4,016	33,766
Travel, meetings and entertainment	49	3,718	8,198	9,344	28	21,337	10,785	1,445	12,230	33,567
Insurance	310	17,907	5,457	2,869	236	26,779	3,563	3,095	6,658	33,437
Staff development	15	1,203	26,306	463	12	27,999	168	151	319	28,318
Bank charges and credit card fees	31	3,641	1,311	534	23	5,540	1,274	10,860	12,134	17,674
Maintenance	668	5,470	1,176	533	38	7,885	82	783	865	8,750
Licenses and permits	217	3,739	1,161	294	63	5,474	1,026	32	1,058	6,532
Miscellaneous	3	3,182	650	1,167	3	5,005	417	20	437	5,442
Marketing	625	1,267	1,880	627	625	5,024	3	2	5	5,029
Total expenses	$ 78,780	$ 2,311,831	$ 795,099	$ 308,566	$ 29,588	$ 3,523,864	$ 331,129	$ 433,545	$ 764,674	$ 4,288,538

The accompanying notes to financial statements
are an intergral part of this statement.

MERCY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services						Supporting Services			
	Adult Education and Workforce Development	English for Speakers of Other Languages and Immigrant Services	Family Programs and Social Services	Youth Programs	Personnel Development and Community Education	Total Program Services	Administration	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 103,504	$ 1,190,469	$ 340,191	$ 167,230	$ 26,157	$ 1,827,551	$ 248,551	$ 287,728	$ 536,279	$ 2,363,830
Payroll taxes and fringe benefits	13,282	173,781	56,083	27,674	5,278	276,098	39,032	36,090	75,122	351,220
Total salaries and related benefits	116,786	1,364,250	396,274	194,904	31,435	2,103,649	287,583	323,818	611,401	2,715,050
Professional fees and contracted services	12,645	136,309	180,170	46,241	2,825	378,190	34,933	38,138	73,071	451,261
Occupancy	34,819	163,852	10,909	2,607	411	212,598	3,665	21,101	24,766	237,364
Depreciation and amortization	8,322	73,221	18,638	8,237	1,359	109,777	12,869	16,031	28,900	138,677
Supplies	460	25,702	33,894	25,069	62	85,187	1,153	1,056	2,209	87,396
Travel, meetings and entertainment	44	1,467	6,716	10,446	15,511	34,184	7,740	1,333	9,073	43,257
Donated services	-	26,346	-	474	-	26,820	8,130	-	8,130	34,950
Telephone	2,487	20,476	5,209	1,368	325	29,865	1,795	3,268	5,063	34,928
Publications, dues and subscriptions	8	27,043	459	235	3	27,748	2,634	1,204	3,838	31,586
Insurance	1,261	15,275	4,415	2,488	341	23,780	3,005	3,729	6,734	30,514
Printing and postage	847	8,085	1,690	633	313	11,568	459	11,358	11,817	23,385
Bank charges and credit card fees	24	291	118	36	6	475	692	12,847	13,539	14,014
Bad debt	-	-	760	-	-	760	5,955	1,200	7,155	7,915
Staff development	15	182	7,166	239	3	7,605	28	110	138	7,743
Licenses and permits	-	3,106	1,640	254	62	5,062	1,322	36	1,358	6,420
Marketing	-	1,763	1,763	588	588	4,702	-	-	-	4,702
Maintenance	476	2,623	411	172	27	3,709	240	463	703	4,412
Miscellaneous	-	1,864	70	90	-	2,024	152	45	197	2,221
Total expenses	$ 178,194	$ 1,871,855	$ 670,302	$ 294,081	$ 53,271	$ 3,067,703	$ 372,355	$ 435,737	$ 808,092	$ 3,875,795

The accompanying notes to financial statements
are an intergral part of this statement.

MERCY CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 401,441	$ (351,149)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation and amortization	133,462	138,677
Net change in operating lease liability	108,022	-
Unrealized (gain) loss on investments	(142,410)	334,601
(Increase) decrease in contributions and grants receivable	(329,660)	96,689
(Increase) decrease in government support receivable	728,767	(869,782)
Increase in inventory	(2,286)	(4,793)
Decrease in prepaid expenses and other assets	22,150	8,852
Decrease in accounts payable and accrued expenses	(4,579)	(97,563)
Decrease in deferred income	-	(2,551)
Decrease in deferred rent	(63,457)	(6,852)
Decrease in deferred income -		
Paycheck Protection Program	(381,577)	(411,680)
Decrease in deferred work allowance	(83,115)	(25,574)
Net cash provided by (used in) operating activities	386,758	(1,191,125)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,886,212)	(620,627)
Sale of investments	1,456,953	1,290,000
Acquisition of property and equipment	(110,215)	(26,999)
Net cash provided by (used in) investing activities	(539,474)	642,374
NET DECREASE IN CASH	(152,716)	(548,751)
CASH, BEGINNING OF YEAR	251,981	800,732
CASH, END OF YEAR	$ 99,265	$ 251,981
SUPPLEMENTAL CASH FLOW INFORMATION:		
Right-of-use asset obtained in exchange for operating lease liability	$ 639,655	$ -

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

(1) Nature of organization

Mercy Center, Inc. (the "Center") is organized under the Not-For-Profit Corporation Law of the State of New York and is qualified as a publicly supported organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Center was incorporated in January 1995 for the purpose of providing supportive services to women, parents and families and is located in the Bronx, New York. The Center conducts classes, workshops and support groups and provides individual counseling for participants in order to help them reach their full potential, lead meaningful lives and be agents of change in families and communities. The Center's primary sources of support are contributions and grants, government support and special events.

(2) Summary of significant accounting policies:

Basis of accounting and financial statement presentation -

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Center which are reflected under the accrual basis of accounting. The following is a summary of significant accounting policies followed by the Center:

Financial statement presentation -

The accompanying financial statements are presented in accordance with U.S. generally accepted accounting principles ("GAAP"), and include the accounts of the Center's programs, administration and fundraising. GAAP requires that the Center's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. The Center's net assets consist of the following:

Without donor restrictions - net assets of the Center which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Center.

With donor restrictions - net assets subject to donor-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.

As required by GAAP, the Center has also presented Statements of Cash Flows for the years ended June 30, 2023 and 2022.

Cash -

Cash includes money held at financial institutions.

Investments -

Investments are stated at fair value for the periods presented. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on fair value measurements also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring 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 measurements involving significant unobservable inputs (Level 3 measurements).

Investment return includes dividends, interest and other investment income: realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification.

Investment return is reflected in the Statements of Activities and Changes in Net Assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investments in money market funds having a readily determinable fair value are carried at fair value. Pooled investments are recorded at net asset value ("NAV") as a practical expedient, to determine fair value of the investments.

Government support receivable -

The Center records government support receivables based on established contracts with funding agencies. A receivable is recorded when expenses incurred under the terms of the contract exceed cash received.

Contributions and grants receivable -

Contributions and grants that are expected to be collected within one year are recorded at their net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Allowance for doubtful accounts -

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivables, a review of payments subsequent to year-end, historical information and other factors. Management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2023 and 2022.

Property and equipment -

Property and equipment in excess of $1,000 are capitalized at cost or, if donated, at fair market value as of the date of receipt. Depreciation and amortization of property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building and building improvements	39 years
Leasehold improvements	10 years
Equipment, furniture and software	5-7 years

Impairment of long-lived assets and long-lived assets to be disposed of -

The Center follows the provisions of the FASB ASC on accounting for the impairment or disposal of long-lived assets which require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These principles did not have a material impact on the Center's financial position, results of activities or liquidity during the years ended June 30, 2023 and 2022.

Right-of-use assets and lease liabilities -

Effective July 1, 2022, the Center adopted FASB Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"). The new guidance increases transparency by requiring the recognition of right-of-use assets and lease liabilities on the Statements of Financial Position. The recognition of this lease asset and lease liability represents a change from previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease, have not significantly changed from previous GAAP requirements.

On July 1, 2022, the effective date of Topic 842, existing leases of the Center were required to be recognized and measured. Additionally, any leases entered into during the year were also required to recognized and measured. In applying Topic 842, the Center made an accounting policy election not to recognize the right-of-use assets and lease liabilities relating to short-term leases. Implementation of Topic 842 involved an analysis of contracts, including equipment leases and service contracts to identify embedded leases, in order to determine the initial recognition of the right-of-use asset and lease liability, which required subjective assessment over the determination of the associated discount rates to apply in determining the lease liability.

The adoption of Topic 842 with respect to this lease resulted in the recording of an operating lease right-of-use asset of $347,581 and operating lease liability of $455,603 as of June 30, 2023.

The Center determines if an arrangement is or contains a lease at inception. The Center's operating lease arrangement is comprised of an office space lease. The right-of-use asset represents the Center's right to use the underlying asset for the lease term and the lease liability represents the Center's obligation to make lease payments arising from the lease. The right-of-use asset and lease liability are recognized at the commencement date based on the present value of the lease payments over the lease term. As the Center's lease does not provide an implicit rate and the implicit rate is not readily determinable, the Center estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments. The right-of-use asset also excludes lease incentives.

The Center reconciles the operating lease expense with the operating lease payments by presenting the amortization of the right-of-use asset and the change in the lease liability in a single line item within the adjustments to reconcile change in net assets to net cash provided by (used in) operating activities in the accompanying Statements of Cash Flows.

Deferred rent and work allowance -

Rent expense has been recorded on the straight-line basis over the term of the lease. Deferred rent has been recorded for the difference between the fixed payment and rent expense. Deferred work allowance (lease incentive) is amortized on the straight-line basis over the term of the lease. Under Topic 842, the deferred rent and work allowance reduced the related right-of-use asset.

Revenue recognition -

The Center complies with and accounts for its revenues in accordance with FASB ASC 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASC 606, *Revenue from Contracts with Customers*.

The following are the significant revenue recognition accounting policies of the Center:

Grants and contributions - Grants and contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

Government support - Government support revenue is recognized when earned. Revenue is earned when performance obligations, as defined in each contract, are fulfilled. Funds received but not yet earned are shown as deferred income. Expenditures under contracts are subject to review by the granting authority.

Fundraising revenue - The portion of fundraising revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

In-kind contributions -

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Contributed services include information technology services and legal services as well as salaries for part-time ESL (English as a Second Language) teachers, a full-time community worker, and a part-time youth group-leader. Donated services of $51,229 and $39,613 were recognized during the years ended June 30, 2023 and 2022, respectively.

Liquidity and availability -

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the Statements of Financial Position date, comprise the following:

	2023	2022
Financial assets at year-end:		
Cash	$ 99,265	$ 251,981
Investments	2,778,156	2,206,487
Contributions and grants receivable	639,510	309,850
Government support receivable	453,123	1,181,890
Total financial assets	3,970,054	3,950,208
Less: funds with donor restrictions	(1,325,755)	(1,261,211)
Total financial assets available to meet cash needs within one year	$ 2,644,299	$ 2,688,997

The Center's net assets with donor restrictions consist of endowment funds and funds restricted by donors. Income from donor-restricted endowments is not restricted. The corpus of donor-restricted endowment funds are not available for general expenditure.

The Center manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligation will be discharged. The Center forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

Functional allocation of expenses -

Expenses are recognized when incurred. The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Center. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Direct program expenses are reported in their respective functional categories. The significant expenses that are allocated include: salaries, payroll taxes and employee benefits which are allocated on the basis of estimates of time and effort. Depreciation and amortization are allocated on the basis of square footage and use. All other expenses are allocated on a systematic and rational basis.

Income taxes -

The Center qualifies as a tax exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Uncertainty in income taxes -

The Center recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Center had no uncertain tax positions that would require financial statement recognition. The Center is no longer subject to examination by the applicable taxing jurisdictions for tax years prior to 2020.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

(3) Fair value measurement

The FASB *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Center has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

The following table represents the Center's fair value hierarchy for investments as of June 30, 2023:

	Fair Value	Level 1	Level 2	Level 3
Money market mutual funds	$ 855,999	$ 855,999	$ -	$ -
Investments reported using NAV as a practical expedient (A)				
Pooled investments	$ 1,922,157	$ -	$ -	$ -
Total investments	$ 2,778,156	$ 855,999	$ -	$ -

The following table represents the Center's fair value hierarchy for investments as of June 30, 2022:

	Fair Value	Level 1	Level 2	Level 3
Money market mutual funds	$ 461,909	$ 461,909	$ -	$ -
Investments reported using NAV as a practical expedient (A)				
Pooled investments	$ 1,744,578	$ -	$ -	$ -
Total investments	$ 2,206,487	$ 461,909	$ -	$ -

As of June 30, 2023 and 2022, the Center did not possess any level 2 or 3 type of investments.

(A) Certain investments that are measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Financial Position.

The following table summarizes investments measured at fair value using NAV as a practical expedient:

	Fair Value		Unfunded	Redemption	Redemption
	2023	2022	Commitments	Frequency	Notice Period
Pooled investments	$ 1,922,157	$ 1,744,578	$ -	$100,000 increments and limited to one increment per day	None for the first increment of the day; one day notice for any additional increments

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying Statements of Financial Position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2023, and 2022.

Money market mutual funds: Valued at NAV of shares held by the Center at year-end.

Pooled investments: Valued at NAV of shares held at year-end as determined by the investment managers and/or similar market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Pooled Investments

Pooled investments are held by Mercy Investment Services ("MIS"), which is a diverse institutional investment program for participating communities and organizations of the Sisters of Mercy. It offers a limited number of equity and fixed income mutual funds with varying investment styles, all of which pass through socially responsible investment screens, so that participating organizations can construct well-diversified portfolios to meet their investment needs. The Center's pooled investments consist of equity (70 percent) funds and debt (30 percent) funds. The policy of the Board of Directors is to allocate a portion of investment income to general operations.

(4) Contributions and grants receivable

Contributions and grants receivable at June 30, 2023 and 2022 consist of the following:

	With Donor Restrictions	
	2023	2022
Due within one year	$ 639,510	$ 309,850

(5) Property and equipment

Property and equipment as of June 30, 2023 and 2022 are comprised of the following:

	2023	2022
Land	$ 27,000	$ 27,000
Leasehold improvements	456,224	450,030
Buildings and building improvements	1,803,294	1,786,601
Equipment, furniture and software	336,030	320,556
Constuction-in-progress	71,854	-
	2,694,402	2,584,187
Less: accumulated depreciation and amortization	(1,579,485)	(1,446,023)
	$ 1,114,917	$ 1,138,164

Depreciation and amortization expense amounted to $133,462 and $138,677 in 2023 and 2022, respectively.

(6) Leases

The Center is obligated under an operating lease for office space expiring through 2026.

The Center evaluated current contracts to determine which met the criteria of a lease. The right-of-use ("ROU") asset represents the Center's right to use the underlying asset for the lease term, and the lease liability represents the Center's obligation to make lease payments arising from this lease. The ROU asset and lease liability, all of which arise from operating lease, were calculated based on the present value of future lease payments over the lease term. The Center has made an accounting policy election to use its incremental borrowing rate to discount future lease payments. The incremental borrowing rates applied to calculate lease liability as of July 1, 2022, was 2.84%.

As of June 30, 2023, the weighted average remaining lease term for the Center's operating lease was approximately 2.25 years.

Cash paid for the operating lease for the year ended June 30, 2023 was $199,369. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2.

Future maturities of operating lease liabilities are presented in the following table, for the fiscal years ending June 30:

For the Fiscal Year Ending June 30,	
2024	$ 205,351
2025	211,511
2026	53,006
Total	469,868
Less: discount to present value	(14,265)
Total lease liability	$ 455,603

(7) Pension plan

The Center has a tax-sheltered annuity plan under IRS Section 403(b) wherein all employees are eligible to contribute pre-tax amounts up to IRS maximum limits. The Center is not required to contribute to the plan. For the years ended June 30, 2023 and 2022, the Center did not contribute to the plan.

(8) Paycheck Protection Program

On April 27, 2020, the Center received loan proceeds in the amount of $411,680 to fund payroll and benefits through the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was enacted on March 27, 2020. In accordance with GAAP, the Center has opted to account for its PPP loan as an in-substance conditional government grant, which should be recognized in income when all conditions or measurable barriers have been substantially met. The Center believes all conditions and measurable barriers have been met during the fiscal year ended June 30, 2022. Accordingly, the Center has recorded the proceeds as revenue, which is reflected in government support in the accompanying Statements of Activities and Changes in Net Assets. The Center was granted approval for the forgiveness application in September 2021.

On March 17, 2021, the Center received a second draw loan in the amount of $381,577. In accordance with GGAAP, the Center has opted to account for its PPP loan as an in-substance conditional government grant, which should be recognized in income when all conditions or measurable barriers have been substantially met. The Center believes all conditions and measurable barriers have been met in the fiscal year ended June 30, 2023. Accordingly, the Center has recorded the proceeds as revenue, which is reflected in government support in the accompanying Statements of Activities and Changes in Net Assets. The Center was granted approval for the forgiveness application in September 2022.

(9) Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 are restricted for or related to the following purposes:

	2023	2022
Purpose and time restricted net assets -		
Family development/familia adelante	$ 356,650	$ 376,876
Social services	25,000	-
Thanksgiving	13,668	9,282
Rent relief	10,000	10,000
Youth	600	600
COVID-19 related expenses	-	25,000
Employment readiness	-	8,000
Immigration services	-	2,000
Unappropriated endowment fund		
Investment return	454,262	363,878
Total purpose and time restricted net assets	860,180	795,636
Net assets restricted in perpetuity -		
Endowment	465,575	465,575
Total net assets with donor restrictions	$ 1,325,755	$ 1,261,211

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2023 and 2022 as follows:

	2023	2022
Family development/familia adelante	$ 490,831	$ 508,930
Youth	291,000	216,000
Immigration services	101,500	115,250
COVID-19 related expenses	29,000	37,000
Reading enrichment	8,000	2,500
Thanksgiving	14	15,511
Investment return	-	156,259
Tuition	-	1,234
	$ 920,345	$ 1,052,684

(10) Endowment

General -

The Center's endowment consists of a donor-restricted endowment fund established to support the general operating purposes of the Center. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law -

The Center has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as allowing it to appropriate for expenditure or accumulate so much of an endowment fund as is determined prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets of a donor-restricted endowment fund shall be donor-restricted assets until appropriated by the Center. The Center classifies the original value of gifts donated to the endowment as net assets with donor restrictions in perpetuity. The remaining portion of donor restricted endowment is classified as net assets with donor restrictions until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Management has interpreted state law to permit prudent spending from underwater endowments.

Return Objectives, Strategies Employed and Spending Policy -

The objective of the Center is to grow the principal endowment funds and to provide a predictable stream of funding to programs supported by its endowment. The investment policy adopted to achieve this objective is to invest in a mix of money market funds, equities and fixed income instruments. Investment income earned in relation to the endowment funds is recorded as income with donor restrictions and released from restriction upon appropriation by the Board of Directors.

Funds with deficiencies -

The Center has no funds with deficiencies as of June 30, 2023 and 2022.

The endowment net asset composition for the years ended June 30, 2023 and 2022 were:

	2023	2022
Donor-restricted endowment fund		
Oringinal donor-restricted gift amount and amount required to be maintained in perpetuity by donor	$ 465,575	$ 465,575
Accumulated investment return on endowment	454,262	363,878
	$ 919,837	$ 829,453

Changes in endowment net assets for the years ended June 30, 2023 and 2022 were:

	2023	2022
Endowment net assets, beginning of year	$ 829,453	$ 985,712
Investment return	90,384	(156,259)
Endowment net assets, end of year	$ 919,837	$ 829,453

(11) Concentrations:

Cash -

The Center maintains cash in several bank accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, the Center may have cash on deposits with financial institutions that are in excess of FDIC limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments -

The Center invests in various investment securities. 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 at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such change could materially affect the amounts reported in the accompanying Statements of Financial Position.

Contributions and grants receivable and related revenues -

Contributions and grants receivable in the amount of $495,000 as of June 30, 2023, was due from two sources. Contributions and grants receivable in the amount of $175,000 as of June 30, 2022, was due from one source. Government support receivable in the amount of $314,000 as of June 30, 2023, was due from one source. Government support receivable in the amount of $1,140,806 as of June 30, 2022, was due from one source. Contributions and grants revenue in the amount of $650,000 in 2023 and $456,250 in 2022 were recognized from two sources. Government support revenue in the amount of $1,800,000 in 2023 and $1,527,900 in 2022 was recognized from one source. These represent concentrations of revenue and credit risk to the Center.

(12) Subsequent events

The Center has evaluated subsequent events through November 30, 2023, which is the date these financial statements were available to be issued, noting no matters which require disclosure in the financial statements.