



Financial Statements

June 30, 2023 and 2022



Independent Auditors' Report

**Board of Directors
Mercy Learning Center of Bridgeport, Inc.
Bridgeport, Connecticut**

Opinion

We have audited the accompanying financial statements of Mercy Learning Center of Bridgeport, Inc. (the "Center") which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Learning Center of Bridgeport, 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 Auditors' 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.

Auditors' 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 auditors' 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 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.

PKF O'Connor Davies, LLP

Shelton, Connecticut
September 27, 2023

Mercy Learning Center of Bridgeport, Inc.

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 908,914	\$ 2,167,468
U.S. treasury securities	1,240,228	-
Contribution receivable	632,224	1,270,000
Other assets	61,815	29,093
Investments held for endowment (Note 11)	8,757,635	6,275,522
Beneficial interest in assets held by others (Note 5)	33,431	32,592
Property and equipment	1,528,771	1,627,055
	<u>\$ 13,163,018</u>	<u>\$ 11,401,730</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 7,463	\$ 11,124
Deferred revenue	63,924	-
Total Liabilities	<u>71,387</u>	<u>11,124</u>
Net Assets		
Without donor restrictions	8,907,553	7,982,181
With donor restrictions	4,184,078	3,408,425
Total Net Assets	<u>13,091,631</u>	<u>11,390,606</u>
	<u>\$ 13,163,018</u>	<u>\$ 11,401,730</u>

See notes to financial statements

Mercy Learning Center of Bridgeport, Inc.

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions			
Private foundations	\$ 576,320	\$ 1,000	\$ 577,320
Endowment	-	1,193,767	1,193,767
Corporate	95,824	-	95,824
Government grants	188,004	-	188,004
In-kind donations	70,659	-	70,659
Local organizations	75,600	-	75,600
Individual donations	1,583,119	21,401	1,604,520
Realized and unrealized gain on beneficial interest	2,181	-	2,181
Investment gain	530,723	315,207	845,930
Net assets released from restrictions satisfied of program restrictions	<u>755,722</u>	<u>(755,722)</u>	<u>-</u>
Total Public Support and Revenue	<u>3,878,152</u>	<u>775,653</u>	<u>4,653,805</u>
EXPENSES			
Program	2,554,800	-	2,554,800
Management and general	226,461	-	226,461
Fundraising	<u>171,519</u>	<u>-</u>	<u>171,519</u>
Total Expenses	<u>2,952,780</u>	<u>-</u>	<u>2,952,780</u>
Change in Net Assets	925,372	775,653	1,701,025
NET ASSETS			
Beginning of year	<u>7,982,181</u>	<u>3,408,425</u>	<u>11,390,606</u>
End of year	<u>\$ 8,907,553</u>	<u>\$ 4,184,078</u>	<u>\$ 13,091,631</u>

See notes to financial statements

Mercy Learning Center of Bridgeport, Inc.

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions			
Private foundations	\$ 1,180,358	\$ 936,884	\$ 2,117,242
Endowment	-	207,950	207,950
Corporate	175,061	400,000	575,061
Government grants	160,000	-	160,000
In-kind donations	92,798	-	92,798
Local organizations	108,067	-	108,067
Individual donations	1,832,822	500	1,833,322
Realized and unrealized loss on beneficial interest	(2,946)	-	(2,946)
Investment loss	(683,424)	(318,243)	(1,001,667)
Net assets released from restrictions satisfied of program restrictions	75,209	(75,209)	-
Total Public Support and Revenue	2,937,945	1,151,882	4,089,827
EXPENSES			
Program	2,418,509	-	2,418,509
Management and general	205,784	-	205,784
Fundraising	145,160	-	145,160
Total Expenses	2,769,453	-	2,769,453
Change in Net Assets	168,492	1,151,882	1,320,374
NET ASSETS			
Beginning of year	7,813,689	2,256,543	10,070,232
End of year	\$ 7,982,181	\$ 3,408,425	\$ 11,390,606

See notes to financial statements

Mercy Learning Center of Bridgeport, Inc.

Statements of Functional Expenses

	Year Ended June 30, 2023				Year Ended June 30, 2022			
	Program	Management and General	Fund- Raising	Total	Program	Management and General	Fund- Raising	Total
Payroll and related	\$ 1,737,496	\$ 133,997	\$ 158,766	\$ 2,030,259	\$ 1,535,508	\$ 163,773	\$ 132,630	\$ 1,831,911
Community outreach	348,373	-	-	348,373	437,363	-	-	437,363
Office	86,064	4,781	4,781	95,626	71,382	3,966	3,966	79,314
Instructional programs	100,865	-	-	100,865	128,241	-	-	128,241
Occupancy	134,597	1,373	1,373	137,343	89,119	909	909	90,937
Professional fees	-	84,917	-	84,917	-	35,596	-	35,596
Event production	-	-	-	-	-	-	6,115	6,115
Insurance	39,839	407	407	40,653	39,955	408	408	40,771
Board, staff development and training	10,946	-	-	10,946	6,002	-	-	6,002
Public relations	-	-	5,206	5,206	-	-	-	-
Depreciation	96,620	986	986	98,592	110,939	1,132	1,132	113,203
Total Expenses	<u>\$ 2,554,800</u>	<u>\$ 226,461</u>	<u>\$ 171,519</u>	<u>\$ 2,952,780</u>	<u>\$ 2,418,509</u>	<u>\$ 205,784</u>	<u>\$ 145,160</u>	<u>\$ 2,769,453</u>

See notes to financial statements

Mercy Learning Center of Bridgeport, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,701,025	\$ 1,320,374
Adjustments to reconcile change in net assets to net cash from operating activities		
(Gain)/Loss on investments	(644,686)	1,111,653
Depreciation	98,592	113,203
Fixed asset donation	11,251	-
Change in beneficial interest in assets held by community foundation	(839)	4,364
Change in operating assets and liabilities		
Contribution receivable	637,776	(1,078,850)
Other assets	(32,722)	4,992
Accounts payable and accrued expenses	(3,661)	(33,264)
Deferred revenue	63,924	-
Net Cash From Operating Activities	1,830,660	1,442,472
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,850,000	-
Purchases of investments	(5,927,655)	(1,417,133)
Purchases of property and equipment	(11,559)	(59,367)
Net Cash From Investing Activities	(3,089,214)	(1,476,500)
 Net Change In Cash and Cash Equivalents	(1,258,554)	(34,028)
 CASH AND CASH EQUIVALENTS		
Beginning of year	2,167,468	2,201,496
End of year	\$ 908,914	\$ 2,167,468

See notes to financial statements

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

1. Nature of Operations

Mercy Learning Center of Bridgeport, Inc. (“MLC”) was formed in 1987 to provide free basic literacy and life skills to low-income women in the greater Bridgeport area using a holistic approach within a compassionate supportive environment. MLC’s programs focus on empowering and providing dignity, economic self-sufficiency and hope to the most vulnerable members of society. By educating women, MLC provides critical training to help functionally illiterate women improve their skills and earning potential, creating a more hopeful future for themselves and their children. All women are welcome without regard for race, religion, creed, sexual orientation or national origin.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase. Included within cash and cash equivalents are cash equivalents valued using Level 1 inputs of approximately \$387,000 and \$1,616,000 as of June 30, 2023 and 2022, respectively.

At times cash deposits may exceed the federally insured limits of the financial institution and expose MLC to credit risk. MLC believes it is not exposed to any significant risk of loss from these funds. As of June 30, 2023, MLC’s cash and cash equivalents exceeded federally insured limits by \$307,000.

Investments

MLC’s investments, which are comprised of mutual funds and debt securities, are carried at their fair value based on quoted market prices of the securities at June 30, 2023 and 2022. Net realized and unrealized gains and losses on trading securities are included in net income. For purposes of determining realized gains and losses, the cost of securities sold is based on specific identification. MLC maintains its investments with one financial institution.

Estimated fair value is based on the criteria outlined in Financial Accounting Standards Board Accounting Standard Codification No. 820 (“ASC 820”) “Fair Value Measurements and Disclosures”. ASC 820 established a “three-tier” valuation hierarchy to prioritize the assumptions used in valuation techniques to measure fair value.

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Investments (continued)

The three levels of fair value hierarchy under ASC 820 are described below:

- **Level 1** - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- **Level 2** - Quoted prices in active markets for similar assets and liabilities or quoted prices in less active, dealer or broker markets;
- **Level 3** - Prices or valuations that require inputs that are both significant in the fair value measurements and are unobservable.

Dividends and interest income, gains and losses are included in the change in net assets. Investment income is considered unrestricted unless restricted by donor stipulation or law.

Investment expenses such as custodial, commission, and investment advisory fees are netted against investment income in the statements of activities.

MLC follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy certain investments, such as MLC's investment described in Note 5, where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient.

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are recorded in the year the promise is made. Contributions receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. MLC continuously monitors the creditworthiness of donors and establishes, when appropriate, an allowance for amounts that may become uncollectible in the future based on current economic trends, historical payments and bad debt write-off experience, and any specific donor related collection issues. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. As of June 30, 2023 and 2022, no allowance for doubtful accounts has been deemed necessary.

Property and Equipment

Property and equipment are recorded at cost or donated value. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Depreciation is provided using the straight-line method over estimated useful lives ranging from three to ten years for furniture and equipment. The building and building improvements are depreciated over thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Deferred Revenue

Deferred revenue consists of funds that have been received from donors and private businesses for future fundraising events, which will be recognized as revenue when related events occur.

Net Assets

Net assets without donor restrictions – net assets without donor restrictions are available for use at the discretion of the Board of Directors (“Board”) and / or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing MLC’s long-term financial viability.

Net assets with donor restrictions – net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting MLC to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Contributions

MLC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions are reported as revenue without donor restrictions or revenues with donor restrictions. 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 in the statement of activities to net assets without donor restriction. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions.

Contributed Goods and Services

MLC reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent donor stipulations about how long those assets must be maintained, MLC reports expirations of donor restrictions when the assets are placed in service.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Grants and Contracts

Other than certain awards to fund capital expenditures, governmental grants and contracts are generally considered to be conditional contributions. Revenue from cost reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance based grants and contracts is recognized to the extent of performance achieved.

Functional Expenses

The costs of providing programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated based on job function and time allocation for payroll and related expenses and square footage allocation for office, occupancy, and depreciation expense.

Income Taxes

MLC is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

MLC recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that MLC had no uncertain tax positions that would require financial statement recognition or disclosure. MLC is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2020.

3. Investments

Investments are carried at fair value using Level 1 inputs.

Investments consist of the following:

	June 30,			
	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Government securities	\$ 1,221,526	\$ 1,240,228	\$ -	\$ -
Endowment:				
Mutual funds	<u>7,403,770</u>	<u>8,757,635</u>	<u>5,709,731</u>	<u>6,275,522</u>
	<u>\$ 8,625,296</u>	<u>\$ 9,997,863</u>	<u>\$ 5,709,731</u>	<u>\$ 6,275,522</u>

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

3. Investments (continued)

Investment return, including interest earned on cash accounts and U.S. treasury bills, consists of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Realized and unrealized gain (loss)	\$ 644,686	\$ (1,111,652)
Interest and dividend income	<u>201,244</u>	<u>109,985</u>
	<u>\$ 845,930</u>	<u>\$ (1,001,667)</u>

4. Contributions Receivable

Contributions receivable represent the present value of unconditional promises to give. As of June 30, 2023, contribution receivable amount of \$632,224 is all due within a year. Approximately 85% or \$535,000 of the contribution receivable is due from a private foundation of which \$435,000 is restricted in use for part-time instructors, internships, social service staff and Women of Achievement program, and \$100,000 is time restricted for use in general operations.

5. Beneficial Interest in a Community Foundation

Beneficial interest in a community foundation represents amounts held by Fairfield County's Community Foundation, Inc. (the "Foundation"). MLC's interest is represented by units in the Foundation's charitable fund which is carried at fair value, therefore the beneficial interest in the Foundation is reported at NAV. The changes in beneficial interest in the Foundation are recognized in the statement of activities. In accordance with the spending policy of the Foundation, annual distributions to MLC are recognized as contributions in the statements of activities. In addition, the agreement allows for release of funds in excess of the Foundation's spending policy when requested by MLC. Any such release of funds in excess of the Foundation's spending policy must also be approved by the Foundation.

As of June 30, 2023 and 2022, NAV of the fund was \$33,431 and \$32,592 respectively, including \$10,000 that is required to remain in perpetuity, in accordance with the agreement.

Changes in the beneficial interest is as follows:

Balance July 1, 2021	\$ 36,956
Distributions	(1,418)
Change in fair value of beneficial interest	<u>(2,946)</u>
Balance June 30, 2022	32,592
Distributions	(1,342)
Change in fair value of beneficial interest	<u>2,181</u>
Balance June 30, 2023	<u>\$ 33,431</u>

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

6. Property and Equipment

	June 30,	
	2023	2022
Land and building	\$ 500,000	\$ 500,000
Building improvements	2,270,051	2,270,051
Furniture and fixtures	83,825	83,825
Computers, equipment and software	370,430	407,347
	3,224,306	3,261,223
Less: accumulated depreciation	1,695,535	1,634,168
	\$ 1,528,771	\$ 1,627,055

7. Contributed Facilities, Services and Goods

Donated facilities, services and goods consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Food	\$ 39,335	\$ 62,631
Emergency assistance	14,520	15,800
Personal care	10,993	8,362
Printing	5,535	5,485
Professional services	-	520
Transportation	276	-
	\$ 70,659	\$ 92,798

Management estimates that volunteers have contributed approximately 4,300 (unaudited) hours in MLC's programs and supporting services for 2023. However, none of these services meet the requirements for financial statement recognition.

Contributed food consists of essential groceries, food donated by a local bakery company and gift cards. For financial statement purposes they are presented within community outreach on the statements of functional expenses. Contributed food was utilized in the community outreach program. The essential groceries are put into bags and distributed to current or graduated students based on their needs. In general, a bag consists of rice, beans, canned meats, canned soups, tomato sauce, and cereal. In 2023 and 2022, 1,367 and 2,019, bags of food, respectively, were distributed at a value of approximately \$25 per bag. Management estimates the fair value of products based on estimates of wholesale values that would be received for selling similar products in the United States. A local bakery company donates its unsold products to MLC for distribution among the students. The contributed products are valued at retail value of the products contributed. Donated gift cards consist of various retail stores and are distributed in various denominations. Gift cards are used to purchase food or other home essentials. As of June 30, 2023 and 2022, 83 and 108, students received gift cards, respectively.

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

7. Contributed Facilities, Services and Goods (*continued*)

Gift cards have a minimum value of \$25 and a maximum value of \$500. The gift cards are distributed to the students based on their need and are valued at fair value which is equal to the gift cards' redemption amount.

Contributed emergency assistance consists of donated baby diapers and is presented within community outreach on the statements of functional expenses. Contributed emergency assistance is utilized in the community outreach program and is distributed to current or graduated students based on their needs. The diapers are valued at an average retail value. In 2023 and 2022, 726 and 790 boxes of diapers, respectively, were donated and distributed at a value of \$20 per package.

Contributed personal care items are presented within community outreach on the statements of functional expenses and were utilized in the community outreach program. Donated items include toothbrushes, baby bottles, and razors. Management values items at retail value. The personal care products are distributed to current or graduated students based on their needs.

Contributed printing services are donated from a local printing company. Contributed printing services were utilized for the annual reports and various administrative materials. The contributed services are valued at cost of the services. The printing services are contributed when needed by the Center.

Contributed professional services were utilized for administrative services. There were no contributed professional services in current year. The prior year amount relates to an IT consultant. The contributed assistance is valued at fair value based on current rates for these services.

Contributed transportation consist of bus tokens and is presented within community outreach on the statements of functional expenses and was utilized in the community outreach program. Management values the bus tokens at fair value which is equal to its redemption value. The bus tokens are distributed to current students based on their needs.

8. Major Contributor

MLC received approximately 27% and 32% of its contribution revenue from two separate donors in 2023 and 2022, respectively.

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

9. Net Assets

Net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Property and equipment	\$ 1,528,771	\$ 1,627,055
Endowment fund	5,256,544	4,283,305
Operations (A)	1,485,325	1,400,000
Capital improvements	500,000	500,000
COVID Contingency	-	150,000
Undesignated	<u>136,913</u>	<u>21,821</u>
	<u>\$ 8,907,553</u>	<u>\$ 7,982,181</u>

(A) Board designated six months of working capital (based on the greater of the current year's budget or previous year's actual expenses) to be held in investment grade cash equivalents to meet liquidity needs.

Net assets with donor restrictions are restricted for the following purposes or periods as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose or period		
Part-time instructors	\$ 159,021	\$ 275,491
Internships	200,222	253,092
Operations	100,000	250,000
Social service staff	93,195	235,585
Literacy program	-	199,750
Women of achievement	86,998	172,727
Scholarship	14,949	13,949
Citizenship	2,802	2,864
Acting President	13,200	-
Reading award	<u>2,500</u>	<u>2,750</u>
Total Subject to Expenditure for Specified Purpose or Period	<u>672,887</u>	<u>1,406,208</u>
Endowment subject to MLC's spending policy and appropriation		
Investment in Perpetuity		
Fairfield County's Community Foundation	10,000	10,000
Mercy Learning Center Endowment	<u>3,501,191</u>	<u>1,992,217</u>
Total Endowment Subject to MLC's Spending Policy and Appropriation	<u>3,511,191</u>	<u>2,002,217</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,184,078</u>	<u>\$ 3,408,425</u>

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

9. Net Assets (continued)

Net assets with donor restrictions include a one year unconditional grant for the Women of Achievement Scholarship.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

The net assets released from restrictions are as follows for fiscal years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose or restrictions accomplished		
Literacy program	\$ 199,750	\$ 49,750
Scholarship	-	13,691
Citizenship	7,141	11,268
Reading award	250	500
Internships	52,870	-
Part-time instructors	116,470	-
Social service staff	142,390	-
Operations	150,000	-
Women of achievement	86,851	-
Net Assets Released from Restrictions	<u>\$ 755,722</u>	<u>\$ 75,209</u>

10. Liquidity and Availability of Resources

MLC's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 908,914	\$ 2,167,468
U.S. treasury bills	1,240,228	-
Contribution receivable, current portion	632,224	735,000
Investments held for endowment	<u>8,757,635</u>	<u>6,275,522</u>
Total Financial Assets Available Within One Year	<u>11,539,001</u>	<u>9,177,990</u>
Less amounts unavailable for general expenditures within one year, due to		
Restricted by donor with time or purpose restriction	672,887	871,208
Restricted by donors in perpetuity		
Endowment fund	<u>3,501,191</u>	<u>1,992,217</u>
Total Amounts Unavailable for General Expenditures Within One Year	<u>4,174,078</u>	<u>2,863,425</u>

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
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10. Liquidity and Availability of Resources *(continued)*

	<u>2023</u>	<u>2022</u>
Less amounts unavailable to management without Board's approval		
Operations	1,485,325	1,400,000
Endowment fund	<u>5,256,544</u>	<u>4,283,305</u>
Total Amounts Unavailable to Management		
Without Board's Approval	<u>6,741,869</u>	<u>5,683,305</u>
Total Financial Assets Available to Management for		
General Expenditures Within One Year	<u>\$ 623,054</u>	<u>\$ 631,260</u>

As part of MLC's liquidity management, MLC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition MLC invests cash in excess of daily requirements in short term investments.

MLC has board designated net assets without donor restrictions that, while MLC does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

11. Endowment

Mercy Learning Center Endowment Fund

The purpose of the MLC Endowment Fund (the "Fund") is to provide a perpetual source of reliable funding to support the mission of MLC. By establishing the Fund, the Board of Directors is dedicated to ensuring that MLC's mission of educating and empowering women and children is sustained. The Fund will be used primarily for women's literacy and life skills programs, children and family literacy, social service needs, staff development, facility maintenance and capital improvements. The Fund shall be a permanent board restricted endowment fund of MLC.

The Fund shall include the assets designated by the Board of Directors of MLC, as well as any additional financial contributions received subject to donor restrictions on a perpetual basis.

MLC is subject to the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MLC classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of gifts donated to the donor restricted endowment and the original value of subsequent gifts to the donor restricted endowment. In accordance with CTUPMIFA, MLC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Mercy Learning Center of Bridgeport, Inc.

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11. Endowment (continued)

Mercy Learning Center Endowment Fund (continued)

- 1) Assure the safety of MLC funds.
- 2) Maintain sufficient income and liquidity to meet cash needs and provide timely working funds.
- 3) Attain a reasonable total return consistent with prudent levels of risk.
- 4) Diversify investments as to maturity, instruments and inherent risk.
- 5) Provide growth of both income and capital to enable MLC assets to increase on a real basis after adjusting for inflation and fees.

MLC considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. MLC has no underwater endowment funds at June 30, 2023 and 2022.

MLC has adopted an investment policy for Endowment assets that attempts to provide a predictable stream of funding to programs supported by its Endowment while seeking to maintain the purchasing power of the Endowment assets.

Changes in endowment net assets for the year ended June 30:

	2023				Total
	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	
		Original Gift Amount	Accumulated Gains (Losses)		
MLC Endowment net assets, beginning of year	\$ 4,283,305	\$ 1,665,552	\$ 326,665	\$ 1,992,217	\$ 6,275,522
Investment return					
Investment income, net	86,287	-	57,473	57,473	143,760
Realized and unrealized gain on investments	386,952	-	257,734	257,734	644,686
Contributions	-	1,193,767	-	1,193,767	1,193,767
	<u>4,756,544</u>	<u>2,859,319</u>	<u>641,872</u>	<u>3,501,191</u>	<u>8,257,735</u>
Other changes					
Transfers to board-designated endowment fund	500,000	-	-	-	500,000
MLC Endowment Net Assets, End of Year	5,256,544	2,859,319	641,872	3,501,191	8,757,735
Fairfield County's Community Foundation	-	10,000	-	10,000	10,000
MLC Endowment Net Assets, End of Year	<u>\$ 5,256,544</u>	<u>\$ 2,869,319</u>	<u>\$ 641,872</u>	<u>\$ 3,511,191</u>	<u>\$ 8,767,735</u>

Mercy Learning Center of Bridgeport, Inc.

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11. Endowment (continued)

Mercy Learning Center Endowment Fund (continued)

	2022				
	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
MLC Endowment net assets, beginning of year	\$ 3,867,532	\$ 1,457,602	\$ 644,908	\$ 2,102,510	\$ 5,970,042
Investment return					
Investment income, net	74,522	-	34,660	34,660	109,182
Realized and unrealized loss on investments	(758,749)	-	(352,903)	(352,903)	(1,111,652)
Contributions	-	207,950	-	207,950	207,950
	<u>3,183,305</u>	<u>1,665,552</u>	<u>326,665</u>	<u>1,992,217</u>	<u>5,175,522</u>
Other changes					
Transfers to board-designated endowment fund	1,100,000	-	-	-	1,100,000
MLC Endowment Net Assets, End of Year	<u>4,283,305</u>	<u>1,665,552</u>	<u>326,665</u>	<u>1,992,217</u>	<u>6,275,522</u>
Fairfield County's Community Foundation	-	10,000	-	10,000	10,000
Endowment Net Assets, End of Year	<u>\$ 4,283,305</u>	<u>\$ 1,675,552</u>	<u>\$ 326,665</u>	<u>\$ 2,002,217</u>	<u>\$ 6,285,522</u>

MLC Endowment Fund Spending Policy

Prior to approval of MLC's annual budget and if needed, the Finance Committee shall recommend the spending amount from the Fund. This annual payout rate is expected to be 3% to 5% of the average market value of the Fund for the past three years based on the June 30th market value stated in MLC's audited financial statements. A spending rate of more than 5% requires a two-thirds approval of the Board.

In making a determination to approve any withdrawal including spending policy withdrawals from the Fund, the Board shall act in good faith, with the care that a prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- The duration and preservation of the Fund;
- The mission of MLC and the purpose of the Fund;
- General economic conditions;
- The potential effect of inflation or deflation;
- The expected total return from income and appreciation of investments;
- Other resources of MLC; and
- The Endowment Fund Investment Policy of MLC.

Mercy Learning Center of Bridgeport, Inc.

Notes to Financial Statements
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12. Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

13. Subsequent Events Evaluation by Management

Management has evaluated subsequent events through September 27, 2023, the date which the financial statements were available for issue.
