Mercy Learning Center of Bridgeport, Inc.

Financial Statements

June 30, 2026 and 2025

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Mercy Learning Center of Bridgeport, Inc.
Bridgeport, CT, United States of America

Opinion

We have audited the financial statements of Mercy Learning Center of Bridgeport, Inc. ("MLC"), which comprise the statements of financial position as of June 30, 2026 and 2025, 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 accompanying financial statements present fairly, in all material respects, the financial position of Mercy Learning Center of Bridgeport, Inc. as of June 30, 2026 and 2025, 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 ("GAAS"). 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 Mercy Learning Center of Bridgeport, Inc. 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 MLC's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

PKF O'Connor Davies LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms

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 GAAS 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 GAAS, 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 MLC’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 MLC’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
October 29, 2026

Mercy Learning Center of Bridgeport, Inc.

Statements of Financial Position

As of June 30, 2026 and 2025

	2026	2025
Assets		
Current assets		
Cash and cash equivalents	$ 4,256,586	$ 1,074,819
U.S. treasury securities	1,199,282	1,378,597
Contribution receivable	4,452	6,674
Prepaid expenses	44,791	22,690
Total current assets	5,505,111	2,482,780
Investments held for endowment	10,192,840	11,260,050
Other assets	-	64,664
Beneficial interest in assets held by others	38,873	36,314
Property, plant, and equipment	2,560,433	1,710,185
Total assets	$18,297,257	$15,553,993
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$ 978,011	$ 114,415
Deferred revenue	268,882	128,606
Total liabilities	1,246,893	243,021
Net assets		
Net assets without donor restrictions	12,180,636	11,292,432
Net assets with donor restrictions	4,869,728	4,018,540
Net assets	17,050,364	15,310,972
Total liabilities and net assets	$18,297,257	$15,553,993

See accompanying notes to financial statements.

Mercy Learning Center of Bridgeport, Inc.

Statement of Activities

For the year ended June 30, 2026

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue:			
Contributions:			
Private Foundations	$ 881,433	$ 192,439	$ 1,073,872
Corporate	161,751	-	161,751
Government grants	50,000	-	50,000
In-kind donations	74,550	-	74,550
Local organizations	134,239	360	134,599
Individual donations	1,193,593	380,220	1,573,813
Total contributions	2,495,566	573,019	3,068,585
Special events revenue	1,114,822	-	1,114,822
Change in beneficial interest in trusts	2,559	-	2,559
Investment income, including gains	1,328,759	602,373	1,931,132
Net assets released from restrictions satisfied of program restrictions	324,204	(324,204)	-
Total public support and revenues	5,265,910	851,188	6,117,098
Expenses			
Program services	3,258,814	-	3,258,814
Management and general	693,802	-	693,802
Fundraising	425,090	-	425,090
Total expenses	4,377,706	-	4,377,706
Changes in net assets	888,204	851,188	1,739,392
Net assets at beginning of year	11,292,432	4,018,540	15,310,972
Net assets at end of year	$12,180,636	$ 4,869,728	$17,050,364

See accompanying notes to financial statements.

Mercy Learning Center of Bridgeport, Inc.

Statement of Activities

For the year ended June 30, 2025

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue:			
Contributions:			
Private Foundations	$ 918,247	$ 55,303	$ 973,550
Corporate	60,702	-	60,702
Government grants	50,000	-	50,000
In-kind donations	130,927	-	130,927
Local organizations	154,441	3,878	158,319
Individual donations	1,276,016	55,321	1,331,337
Total contributions	2,590,333	114,502	2,704,835
Special events income	847,526	-	847,526
Change in beneficial interest in trusts	2,267	-	2,267
Investment income, including gains	956,295	431,312	1,387,607
Net assets released from restrictions by donor	617,994	(617,994)	-
Net assets released from restrictions satisfied of program restrictions	642,968	(642,968)	-
Total public support and revenues	5,657,383	(715,148)	4,942,235
Expenses:			
Program services	3,152,401	-	3,152,401
Management and general	587,086	-	587,086
Fundraising	377,978	-	377,978
Total expenses	4,117,465	-	4,117,465
Changes in net assets	1,539,918	(715,148)	824,770
Net assets at beginning of year	9,752,514	4,733,688	14,486,202
Net assets at end of year	$ 11,292,432	$ 4,018,540	$ 15,310,972

See accompanying notes to financial statements.

Mercy Learning Center of Bridgeport, Inc.

Statement of Functional Expenses

For the year ended June 30, 2026

	Program Services	Management and General	Fundraising	Total
Payroll and related	$ 2,182,578	$ 481,957	$ 270,235	$ 2,934,770
Community outreach	193,831	-	-	193,831
Office	231,697	12,872	12,872	257,441
Instructional programs	129,286	-	-	129,286
Occupancy	148,188	18,524	18,524	185,236
Professional fees	41,717	171,715	44,891	258,323
Security	85,962	6,723	3,362	96,047
Special event	-	-	73,195	73,195
Insurance	69,444	709	709	70,862
Board, staff development and training	48,535	-	-	48,535
Depreciation	127,576	1,302	1,302	130,180
Total expenses	$ 3,258,814	$ 693,802	$ 425,090	$ 4,377,706

See accompanying notes to financial statements.

Mercy Learning Center of Bridgeport, Inc.

Statement of Functional Expenses

For the year ended June 30, 2025

	Program Services	Management and General	Fundraising	Total
Payroll and related	$ 2,115,804	$ 425,853	$ 267,605	$ 2,809,262
Community outreach	232,072	-	-	232,072
Office	208,994	11,611	11,611	232,216
Instructional programs	169,633	-	-	169,633
Occupancy	152,757	1,559	1,559	155,875
Professional fees	39,719	139,287	34,705	213,711
Security	35,079	7,016	4,677	46,772
Special event	-	-	56,061	56,061
Insurance	60,308	615	615	61,538
Board, staff development and training	25,812	-	-	25,812
Depreciation	112,223	1,145	1,145	114,513
Total expenses	$ 3,152,401	$ 587,086	$ 377,978	$ 4,117,465

See accompanying notes to financial statements.

Mercy Learning Center of Bridgeport, Inc.

Statements of Cash Flows

For the years ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities		
Change in net assets	$ 1,739,392	$ 824,770
Adjustments to reconcile change in net assets to net cash from operating activities		
Gain on investments	(1,551,064)	(1,029,534)
Depreciation	130,180	114,513
Change in beneficial interest in assets held by community foundation	(2,559)	(1,076)
Change in operating assets and liabilities		
Contribution receivable	2,222	27,344
Prepaid expenses	(22,107)	(2,172)
Other assets	64,664	(11,161)
Accounts payable and accrued expenses	103,845	55,275
Deferred revenue	140,276	58,332
Net cash from operating activities	604,849	36,291
Cash flows from investing activities		
Proceeds from sale of investments	7,882,000	2,809,614
Purchase of investments	(5,084,411)	(2,434,378)
Purchase of property, plant, and equipment	(220,671)	(304,153)
Net cash from investing activities	2,576,918	71,083
Net change in cash and cash equivalents	3,181,767	107,374
Cash and cash equivalents at beginning of year	1,074,819	967,445
Cash and cash equivalents end of year	$ 4,256,586	$ 1,074,819
Supplemental cash flow information		
Noncash investing and financing activities		
Property, plant, and equipment in accounts payable	$ 759,757	$ -

See accompanying notes to financial statements.

Mercy Learning Center of Bridgeport, Inc.
Notes to the Financial Statements
For the years ended June 30, 2026 and 2025

1. Nature of Operations

Since its founding in 1987, Mercy Learning Center of Bridgeport ("MLC") has been a leader in providing transformative educational programs and services at no cost to women and their young children. MLC empowers women to reach their full potential through free transformative education in a compassionate, supportive environment. We envision a world where all women are equipped with the tools, skills, and opportunities they need to learn, lead, and successfully shape their lives, their families, and their communities in a changing world.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

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

b. 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.

c. 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 comprised of mutual funds valued using Level 1 inputs of approximately $3,617,000 and $894,000 as of June 30, 2026 and 2025, respectively.

MLC maintains cash balances at U.S. banks, which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 for each institution. MLC’s cash balances at times exceeded federally insured limits. MLC has not experienced any losses and does not believe it is exposed to any significant credit risk on cash and cash equivalents. MLC’s cash accounts exceeded federally insured limits by approximately $3,756,000 and $644,000 as of June 30, 2026 and June 30, 2025, respectively.

2. Summary of Significant Accounting Policies (Continued)

d. 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, 2026 and 2025. Net realized and unrealized gains and losses on trading securities are included in changes in net assets. 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 Standards 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.

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.

2. Summary of Significant Accounting Policies (Continued)

e. 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 contributions receivable. As of June 30, 2026 and 2025, no allowance for doubtful accounts has been deemed necessary.

f. Other Assets

Other assets include assets held by the Unemployment Trust Fund ("UTF"). MLC's unemployment claims are administered by the UTF. MLC makes monthly contributions to the UTF account, and the UTF manages and pays state unemployment claims on behalf of MLC. The UTF charges the account for claims paid and administrative expenses, and credits MLC's account for its allocated share of investment income.

g. Beneficial Interest in Perpetual Trusts

MLC is the beneficiary of certain perpetual trusts held and administered by others. MLC’s percentage of the fair value of the underlying trust assets, which approximates the present value of estimated future cash flows to be received from the trusts, is recognized as assets and contribution revenue at the dates the trusts were established. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the fair value of the underlying trust assets.

h. Property, Plant, and Equipment

Property and equipment are recorded at cost or donated value. The cost of property and equipment purchased in excess of $5,000 is capitalized. Depreciation is provided using the straight-line method over estimated useful lives ranging from five to fifteen years for furniture and equipment. The building and building improvements are depreciated over estimated useful lives ranging from seven to 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.

2. Summary of Significant Accounting Policies (Continued)

i. 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.

j. Net Assets

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

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.

k. Contributions and Grants

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.

2. Summary of Significant Accounting Policies (Continued)

k. Contributions and Grants (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.

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.

l. Functional Allocation of Expenses

The costs of providing programs and supporting activities have been summarized on a functional basis in the statements of activities. The statements 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.

m. 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 2023.

3. Investments

Investments are carried at fair value using Level 1 inputs.

Investments consist of the following:

	Cost 2026	Fair Value 2026	Cost 2025	Fair Value 2025
United States Treasury securities	$ 1,186,099	$ 1,199,282	$ 1,360,798	$ 1,378,597
Endowment:				
Mutual funds	6,584,372	10,192,840	8,221,245	11,260,050
Total	$ 7,770,471	$ 11,392,122	$ 9,582,043	$ 12,638,647

4. Contributions Receivable

Contributions receivable represent the present value of unconditional promises to give. Contribution receivable amounts are due within a year.

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 statements 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, 2026 and 2025, NAV of the fund was $38,873 and $36,314 respectively, including $10,000 that is required to remain in perpetuity, in accordance with the agreement.

5. Beneficial Interest in a Community Foundation (Continued)

Changes in the beneficial interest are as follows:

	2026	2025
Balance, beginning of year	$ 36,314	$ 35,238
Distributions	-	(1,191)
Change in fair value of beneficial interest	2,559	2,267
Balance, end of year	$ 38,873	$ 36,314

6. Property, Plant, and Equipment

The historical costs of MLC's property, plant and equipment and related accumulated depreciation balances at June 30 were as follows:

	2026	2025	Estimated Useful Life
Land and building	$ 500,000	$ 500,000	39 years
Building improvements	2,621,310	2,574,127	7-39 years
Furniture and fixtures	100,959	100,959	5-15 years
Computers, equipment and software	510,973	437,947	5-8 years
Construction in progress	860,219	-	
	4,593,461	3,613,033	
Less accumulated depreciation	(2,033,028)	(1,902,848)	
Total	$ 2,560,433	$ 1,710,185	

7. Commitments

During the year ended June 30, 2026, the Center entered into a construction contract for the HVAC capital project, including air conditioning, LED lighting, fire protection and insulation. The total contract value was $2,665,500 and has been increased through approved change orders to $3,175,000. As of June 30, 2026, costs incurred under the contract totaled $760,000 and are included in construction in progress. The remaining commitment under the contract is $2,415,000, and is expected to be fully paid in fiscal year 2027.

8. Contributed Facilities, Services and Goods

Donated facilities, services and goods consisted of the following for the years ended June 30, 2026 and 2025:

	2026	2025
Food	$ 44,355	$ 102,657
Emergency assistance	23,900	15,320
Personal care	1,880	8,000
Printing	4,415	4,950
	$ 74,550	$ 130,927

Management estimates that volunteers have contributed approximately 3,034 and 3,481 (unaudited) hours in MLC's programs and supporting services for 2026 and 2025, respectively. 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 2026 and 2025, 1,160 and 3,034 bags of food, respectively, were distributed at a value of approximately $28 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, 2026 and 2025, 38 and 62 students received gift cards, respectively.

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 2026 and 2025, 1,195 and 766 boxes of diapers, respectively, were donated and distributed at a value of $20 per package.

8. Contributed Facilities, Services and Goods (Continued)

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 MLC.

9. Major Contributors

MLC received approximately 26% of its contribution revenue from two donors collectively in both 2026 and 2025.

10. Net Assets Without Donor Restrictions

Net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at June 30, 2026 and 2025:

	2026	2025
Property and equipment	$ 2,560,433	$ 1,710,185
Endowment fund	5,954,806	7,455,448
Operations (A)	2,272,465	2,207,943
Capital improvements (B)	200,000	500,000
Undesignated (C)	1,192,932	(581,144)
Total net assets without donor restrictions	$12,180,636	$11,292,432

(A) During the year ended June 30, 2026, the Board approved a change to its financial policy from six months of working capital to a range of four to six months. Working capital is based on the greater of the current year's budget or the previous year's actual expenses and is to be held in investment grade cash equivalents to meet liquidity needs.

(B) During the year ended June 30, 2026, the Board approved a change to its financial policy, reducing the amount designated for capital improvements from $500,000 to $200,000.

10. Net Assets Without Donor Restrictions (Continued)

(C) The balance in undesignated assets is negative as of June 30, 2025 due to the standing board designation of net assets for operating reserve that requires six months of expenses to be designated. These funds can be accessed as needed to cover any operational funding needs. Additionally, the Board did not draw down on the endowment during the year ended June 30, 2025. Subject to the terms of the MLC Endowment Spending Policy as outlined in Note 13, the Board can approve to withdraw a portion of the Endowment Funds to cover operational funding requirements as needed.

11. Net Assets With Donor Restrictions

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

	2026	2025
Subject to expenditures for specified purpose:		
HVAC capital project	$ 375,000	$ -
Women of Achievement	182,439	49,753
Scholarships	32,189	23,934
President dedicated project	24,736	50,000
Citizenship	4,220	1,902
Reading Award	1,750	2,000
Teen Gift Cards	860	-
Playground	500	5,497
Internships	-	65,855
Laptops	-	3,878
Paddle for Pads	-	770
Sensory project	-	324
Holidays Amazon gift cards	-	25
Total net assets subject to expenditures for specified purpose or period	621,694	203,938
Endowment subject to the MLC's spending policy and appropriation:		
Fairfield County's Community Foundation	10,000	10,000
Mercy Learning Center Endowment	4,238,034	3,804,602
Total endowment subject to MLC's spending policy and appropriation	4,248,034	3,814,602
Total net assets with donor restrictions	$ 4,869,728	$ 4,018,540

11. Net Assets With Donor Restrictions (Continued)

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:

Purpose or restriction accomplished	**2026**	**2025**
Appropriated endowment earnings	$ 168,941	$ -
Women of Achievement	49,753	-
Scholarship	2,245	1,416
President dedicated project	25,264	-
Citizenship	1,902	3,182
Reading award	250	250
Playground	4,997	255,084
Internships	65,855	108,132
Laptops	3,878	5,773
Paddle for Pads	770	-
Sensory project	324	-
Amazon gift cards for holidays	25	-
Adult education	-	175,000
Operations	-	75,000
Part-time instructors	-	17,888
Acting president	-	1,243
Total net assets released from restrictions	$ 324,204	$ 642,968

Donor release of endowed funds	**2026**	**2025**
Donor release of endowed contribution and accumulated earnings (See Note 13)	$ -	$ 617,994

12. 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:

	2026	2025
Financial assets available:		
Cash and cash equivalents	$ 4,256,586	$ 1,074,819
U.S. treasury securities	1,199,282	1,378,597
Contributions receivable, current portion	4,452	6,674
Investment held for endowment	10,192,840	11,260,050
Total financial assets available within one year	15,653,160	13,720,140
Less amounts unavailable for general expenditures within one year, due to		
Restricted by donor with time or purpose restriction	621,694	203,938
Restricted by donors in perpetuity	4,248,034	3,814,602
Total amounts unavailable for general expenditures within one year	4,869,728	4,018,540
Operations	2,272,465	2,207,943
Endowment Fund	5,954,806	7,455,448
Total Amounts Unavailable to Management Without Board's Approval	8,227,271	9,663,391
Total Financial Assets Available to Management for General Expenditures Within One Year	$ 2,556,161	$ 38,209

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.

13. 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) which requires 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:

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, 2026 and 2025.

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.

13. Endowment (Continued)

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

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total With Donor Restrictions	Total Funds
2026					
MLC Endowment net assets, beginning of year	$ 7,455,448	$ 2,358,319	$ 1,446,283	$ 3,804,602	$ 11,260,050
Investment income, net	153,430	-	78,296	78,296	231,726
Realized and unrealized gain on investments	1,026,987	-	524,077	524,077	1,551,064
	8,635,865	2,358,319	2,048,656	4,406,975	13,042,840
Board approved release of endowment funds	(2,681,059)	-	(168,941)	(168,941)	(2,850,000)
MLC Endowment Net Assets, End of Year	5,954,806	2,358,319	1,879,715	4,238,034	10,192,840
Fairfield County's Community Foundation	-	10,000	-	10,000	10,000
MLC Endowment Net Assets, End of Year	5,954,806	2,368,319	1,879,715	4,248,034	10,202,840
2025					
MLC Endowment net assets, beginning of year	5,992,249	2,859,319	1,131,965	3,991,284	9,983,533
Investment income, net	163,664	-	83,518	83,518	247,182
Realized and unrealized gain on investments	681,541	-	347,794	347,794	1,029,335
	6,837,454	2,859,319	1,563,277	4,422,596	11,260,050
Donor release of previously restricted funds and accumulated earnings	617,994	(501,000)	(116,994)	(617,994)	-
MLC Endowment Net Assets, End of Year	7,455,448	2,358,319	1,446,283	3,804,602	11,260,050
Fairfield County's Community Foundation	-	10,000	-	10,000	10,000
MLC Endowment Net Assets, End of Year	$ 7,455,448	$ 2,368,319	$ 1,446,283	$ 3,814,602	$ 11,270,050

13. Endowment (Continued)

During the fiscal year ended June 30, 2026, the Board of Directors approved drawdowns in accordance with the spending policy of $500,000 to fund the Organization's operations and strategic initiatives, allocated between the board designated and donor restricted endowment balances. The board approved an additional draw of $2,350,000 from the board designated endowment during the year ended June 30, 2026, to fund a capital project. These distributions were made in accordance with MLC's endowment fund spending policy and are reflected in the accompanying financial statements.

During the fiscal year ended June 30, 2025, one donor removed the restrictions on their endowment contributions and the related accumulated earnings. As a result, these amounts were reclassified to board-designated endowment funds and are now reported as net assets without donor restrictions.

MLC Endowment Fund Spending Policy

Prior to approval of MLC’s annual operating 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.

14. Subsequent Event

Management has evaluated subsequent events through October 29, 2026, the date which the financial statements were available for issue.

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