



**MERCY CENTER, INC.**

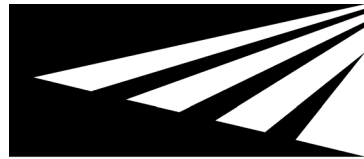
**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2025 AND 2024**

**MERCY CENTER, INC.  
INDEX TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

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**NawrockiSmith**

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, 2025 and 2024, 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, 2025 and 2024, 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.

# NawrockiSmith

## ***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.

Hauppauge, New York  
March 31, 2026

*Nawrocki Smith LLP*

**MERCY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2025 AND 2024**

	2025	2024
<b>ASSETS</b>		
Current assets:		
Cash	\$ 271,850	\$ 132,508
Investments	66,272	1,195,066
Contributions and grants receivable	1,202,800	510,856
Government support receivable	2,268,250	1,370,397
Inventory	12,750	9,522
Prepaid expenses and other assets	32,888	27,057
Total current assets	3,854,810	3,245,406
Noncurrent assets:		
Property and equipment, net	963,463	1,018,441
Right-of-use asset, net - operating	40,080	196,690
Restricted investments	1,583,922	1,101,101
Security deposit	54,167	54,167
Other assets	46,120	35,464
Total noncurrent assets	2,687,752	2,405,863
Total assets	\$ 6,542,562	\$ 5,651,269
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 260,669	\$ 127,667
Line of credit	870,000	-
Loan payable	-	561,799
Deferred income	226,834	117,236
Current portion of lease liability - operating	52,881	207,300
Total current liabilities	1,410,384	1,014,002
Noncurrent liabilities:		
Lease liability, net of current portion - operating	-	52,882
Total noncurrent liabilities	-	52,882
Total liabilities	1,410,384	1,066,884
Net assets:		
Without donor restrictions:		
Operating	1,504,168	2,284,218
Board designated, building	180,625	180,625
Property and equipment	963,463	1,018,441
Total net assets without donor restrictions	2,648,256	3,483,284
With donor restrictions	2,483,922	1,101,101
Total net assets	5,132,178	4,584,385
Total liabilities and net assets	\$ 6,542,562	\$ 5,651,269

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, 2025 AND 2024**

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUES:</b>						
Contributions and grants	\$ 768,528	\$ 1,292,702	\$ 2,061,230	\$ 1,344,863	\$ 31,555	\$ 1,376,418
Government support	2,894,187	-	2,894,187	2,259,320	-	2,259,320
Donations in-kind	144,886	-	144,886	75,039	-	75,039
Special events, net of direct costs of \$166,801 and \$156,522, respectively	335,430	-	335,430	291,494	-	291,494
Other revenue	5,443	-	5,443	26,873	-	26,873
Net assets released from restrictions	39,416	(39,416)	-	381,650	(381,650)	-
Total public support and revenues	<u>4,187,890</u>	<u>1,253,286</u>	<u>5,441,176</u>	<u>4,379,239</u>	<u>(350,095)</u>	<u>4,029,144</u>
<b>EXPENSES:</b>						
Program services:						
Adult Education and Workforce Development	23,595	-	23,595	25,303	-	25,303
English for Speakers of Other Languages and Immigrant Services	2,844,252	-	2,844,252	2,883,412	-	2,883,412
Family Programs and Social Services	917,424	-	917,424	626,131	-	626,131
Youth Programs	407,039	-	407,039	273,952	-	273,952
Personnel Development and Community Education	18,028	-	18,028	18,945	-	18,945
Total program services	<u>4,210,338</u>	<u>-</u>	<u>4,210,338</u>	<u>3,827,743</u>	<u>-</u>	<u>3,827,743</u>
Supporting services:						
Administration	326,496	-	326,496	404,073	-	404,073
Fundraising	556,555	-	556,555	461,390	-	461,390
Total supporting services	<u>883,051</u>	<u>-</u>	<u>883,051</u>	<u>865,463</u>	<u>-</u>	<u>865,463</u>
Total expenses	<u>5,093,389</u>	<u>-</u>	<u>5,093,389</u>	<u>4,693,206</u>	<u>-</u>	<u>4,693,206</u>
Increase (decrease) in net assets from operating activities	<u>(905,499)</u>	<u>1,253,286</u>	<u>347,787</u>	<u>(313,967)</u>	<u>(350,095)</u>	<u>(664,062)</u>
<b>NONOPERATING ACTIVITIES:</b>						
Investment return, net	70,471	129,535	200,006	146,610	125,441	272,051
Increase in net assets from nonoperating activities	<u>70,471</u>	<u>129,535</u>	<u>200,006</u>	<u>146,610</u>	<u>125,441</u>	<u>272,051</u>
<b>CHANGE IN NET ASSETS</b>	(835,028)	1,382,821	547,793	(167,357)	(224,654)	(392,011)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,483,284</u>	<u>1,101,101</u>	<u>4,584,385</u>	<u>3,650,641</u>	<u>1,325,755</u>	<u>4,976,396</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,648,256</u>	<u>\$ 2,483,922</u>	<u>\$ 5,132,178</u>	<u>\$ 3,483,284</u>	<u>\$ 1,101,101</u>	<u>\$ 4,584,385</u>

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, 2025**

	Program Services					Supporting Services				Total
	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	
Salaries and wages	\$ 17,433	\$ 1,742,917	\$ 624,301	\$ 246,415	\$ 7,658	\$ 2,638,724	\$ 175,064	\$ 386,045	\$ 561,109	\$ 3,199,833
Payroll taxes and fringe benefits	2,134	229,475	109,325	30,647	1,490	373,071	32,116	52,778	84,894	457,965
Total salaries and related benefits	19,567	1,972,392	733,626	277,062	9,148	3,011,795	207,180	438,823	646,003	3,657,798
Professional fees and contracted services	1,246	273,433	85,745	75,185	589	436,198	36,670	30,471	67,141	503,339
Operating lease	3	153,285	1,060	47	2	154,397	41	6,382	6,423	160,820
In-kind donated services	324	69,377	12,486	5,390	3,252	90,829	36,295	17,762	54,057	144,886
Depreciation and amortization	849	78,743	25,905	9,113	320	114,930	8,459	15,735	24,194	139,124
Supplies	34	98,408	9,185	19,050	15	126,692	2,096	2,099	4,195	130,887
Occupancy	218	62,479	8,647	2,910	100	74,354	2,465	7,234	9,699	84,053
Insurance	230	23,872	9,211	3,739	116	37,168	2,822	5,702	8,524	45,692
Travel, meetings and entertainment	24	8,652	14,306	8,559	3,676	35,217	7,625	1,951	9,576	44,793
Publications, dues and subscriptions	41	34,390	2,093	960	20	37,504	486	5,268	5,754	43,258
Printing and postage	94	31,256	2,296	647	87	34,380	519	7,063	7,582	41,962
Bank charges and credit card fees	33	3,942	1,717	858	47	6,597	15,858	13,778	29,636	36,233
Telephone	131	22,779	4,952	1,794	62	29,718	1,518	3,431	4,949	34,667
Maintenance	27	6,574	968	470	15	8,054	192	661	853	8,907
Licenses and permits	274	2,534	1,036	340	79	4,263	3,652	39	3,691	7,954
Marketing	500	1,000	1,500	500	500	4,000	-	-	-	4,000
Staff development	-	399	2,390	306	-	3,095	-	-	-	3,095
Miscellaneous	-	737	301	109	-	1,147	618	156	774	1,921
Total expenses	\$ 23,595	\$ 2,844,252	\$ 917,424	\$ 407,039	\$ 18,028	\$ 4,210,338	\$ 326,496	\$ 556,555	\$ 883,051	\$ 5,093,389

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

**MERCY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Program Services					Supporting Services			Total	
	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
Salaries and wages	\$ 18,385	\$ 1,832,117	\$ 409,628	\$ 162,942	\$ 13,000	\$ 2,436,072	\$ 289,501	\$ 284,162	\$ 573,663	\$ 3,009,735
Payroll taxes and fringe benefits	3,599	255,438	72,075	20,225	3,228	354,565	55,842	39,087	94,929	449,494
Total salaries and related benefits	21,984	2,087,555	481,703	183,167	16,228	2,790,637	345,343	323,249	668,592	3,459,229
Professional fees and contracted services	996	173,756	76,667	26,177	673	278,269	21,149	69,651	90,800	369,069
Operating lease	3	152,526	1,010	42	2	153,583	63	7,089	7,152	160,735
Depreciation and amortization	605	80,769	19,809	11,256	336	112,775	11,606	10,099	21,705	134,480
Supplies	19	73,388	8,560	17,736	15	99,718	1,965	1,585	3,550	103,268
Occupancy	175	67,796	6,100	2,672	104	76,847	3,219	5,419	8,638	85,485
In-kind donated services	-	64,224	-	-	276	64,500	4,080	6,459	10,539	75,039
Publications, dues and subscriptions	32	55,496	1,579	843	21	57,971	679	4,222	4,901	62,872
Printing and postage	251	34,165	2,760	868	261	38,305	702	10,733	11,435	49,740
Travel, meetings and entertainment	28	8,444	8,682	20,051	20	37,225	6,012	2,706	8,718	45,943
Insurance	157	22,768	5,271	2,688	104	30,988	3,116	2,503	5,619	36,607
Telephone	87	25,616	4,979	1,347	152	32,181	1,716	1,805	3,521	35,702
Maintenance	89	15,757	3,050	1,629	53	20,578	1,761	1,621	3,382	23,960
Staff development	-	13,740	2,472	3,800	-	20,012	4	2,097	2,101	22,113
Bank charges and credit card fees	7	741	405	347	-	1,500	893	11,722	12,615	14,115
Licenses and permits	239	4,170	925	307	69	5,710	1,595	40	1,635	7,345
Marketing	631	1,263	1,894	631	631	5,050	-	-	-	5,050
Miscellaneous	-	1,238	265	391	-	1,894	170	390	560	2,454
Total expenses	\$ 25,303	\$ 2,883,412	\$ 626,131	\$ 273,952	\$ 18,945	\$ 3,827,743	\$ 404,073	\$ 461,390	\$ 865,463	\$ 4,693,206

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

**MERCY CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 547,793	\$ (392,011)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	139,124	134,480
Operating lease costs	156,610	150,891
Net realized and unrealized (gain) losses on investments	(166,256)	(200,252)
(Increase) decrease in assets:		
Contributions and grants receivable	(691,944)	128,654
Government support receivable	(897,853)	(917,274)
Inventory	(3,228)	(2,443)
Prepaid expenses and other assets	(16,487)	10,225
Increase (decrease) in liabilities:		
Operating lease liabilities	(207,301)	(195,421)
Accounts payable and accrued expenses	133,002	(6,878)
Deferred income	109,598	117,236
	<u>(896,942)</u>	<u>(1,172,793)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(60,170)	(687,759)
Sale of investments	872,399	1,370,000
Acquisition of property and equipment	(84,146)	(38,004)
	<u>728,083</u>	<u>644,237</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	870,000	-
Proceeds from loans payable	-	561,799
Payments on loan payable	(561,799)	-
	<u>308,201</u>	<u>561,799</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>139,342</b>	<b>33,243</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>132,508</b>	<b>99,265</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 271,850</b>	<b>\$ 132,508</b>

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

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**(1) Organization and nature of activities**

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:**

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:

**Basis of accounting and 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. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

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, but allows for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes. The Center has elected to show restricted support for which restrictions are met in the same reporting period as support within net assets without donor restrictions.

**Cash and cash equivalents -**

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash for financial statement purposes.

**Restricted investments -**

Restricted investments as of June 30, 2025 and 2024, relates to purpose and time restrictions of \$1,118,347 and \$635,526, and restrictions in perpetuity of \$465,575 and \$465,575, respectively. See Note 3 for more information.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(2) Summary of significant accounting policies (continued):**

**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 receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

**Allowance for credit losses -**

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 credit losses was not necessary as of June 30, 2025 and 2024.

**Investments -**

All investments are presented at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of the disposition or market values as of the end of the financial statement period. See Note 4 for discussion of fair market value.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the Statements of Activities and Changes in Net Assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law. Investment income includes interest, recognized on the accrual basis and dividends which are recognized on the ex-dividend date.

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

**Inventory -**

Inventory is stated at the lower of cost or net realizable value and consists of metro cards for asylum seekers.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(2) Summary of significant accounting policies (continued):**

**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, 2025 and 2024.

**Conditional asset retirement obligations -**

The FASB ASC on accounting for conditional asset retirement obligations requires entities to recognize a liability for the fair value of a legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. As of June 30, 2025 and 2024, the Center has met the provisions of and is in compliance with these requirements and no obligation currently exists.

**Leases -**

The Center complies with the provisions of FASB Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"). All leases entered into during the year were required to be recognized and measured. Leases with an initial term of 12 months or less are not recorded on the statement of financial position; rather, rent expense for these leases are recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(2) Summary of significant accounting policies (continued):**

**Leases (continued) -**

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. Right-of-use ("ROU") assets represent the Center's right to use the underlying assets for the lease terms and lease liabilities represent the Center's obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease terms. If a lease contains a renewal option at the commencement date and it is considered reasonably certain that the renewal option will be exercised by management to renew the lease, the renewal option payments are included in the Center's net minimum lease payments used to determine the right-of-use lease assets and related lease liabilities. All other renewal options are included in right-of-use lease assets and related lease liabilities when they are reasonably certain to be exercised.

As the Center's leases do 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. ROU assets also exclude lease incentives.

The lease agreement requires the Center to pay maintenance, repairs, property taxes, and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability.

Variable lease costs also includes escalating rent payments over future periods that are contained in the terms of the lease. Variable lease payments associated with the Center's lease are considered nonlease components and are calculated as part of the ROU asset and corresponding liability. To the extent that the nonlease component differs from the amount calculated, those amounts are recognized in the period occurred. Variable lease payments are presented in operating lease expenses in the Statements of Functional Expenses. The Center has elected the practical expedient to separate lease components from nonlease components related to its real estate leases.

**In-kind donated nonfinancial assets -**

The Center complies with the provisions of FASB ASU No. 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* ("Topic 958"). When received, in-kind nonfinancial assets are recorded at their fair market value at their date of donation. The Center reports the in-kind donations as unrestricted support, unless explicit donor stipulations specify how the in-kind donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Center did not receive any in-kind nonfinancial assets during 2025 or 2024.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(2) Summary of significant accounting policies (continued):**

**In-kind donated nonfinancial assets (continued) -**

In-kind donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Center's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements. The Center has received professional services on a pro-bono basis. The value of these services for the years ended June 30, 2025 and 2024 was \$144,886 and \$75,039, respectively. Such amounts are reflected in the accompanying financial statements as in-kind contributions and in-kind expenses.

**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. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Center will record such disallowance at the time the final assessment is made.

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.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(2) Summary of significant accounting policies (continued):**

**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 and wages and 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 2022.

**Use of estimates -**

The preparation of financial statements in conformity with GAAP 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.

**Reclassifications -**

Certain reclassifications of prior year balances on the Statements of Financial Position have been made to conform to the current year presentation. These reclassifications had no effect on the change in net assets for the year ended June 30, 2024.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(3) Liquidity considerations**

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:

	2025	2024
Financial assets at year-end:		
Cash	\$ 271,850	\$ 132,508
Investments	1,650,194	2,296,167
Contributions and grants receivable	1,202,800	510,856
Government support receivable	2,268,250	1,370,397
Total financial assets	5,393,094	4,309,928
Less: funds with donor restrictions	(2,483,922)	(1,101,101)
Total financial assets available to meet cash needs within one year	\$ 2,909,172	\$ 3,208,827

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.

**(4) 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.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**(4) Fair value measurement (continued)**

The following table represents the Center's fair value hierarchy for investments as of June 30, 2025:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market mutual funds	\$ 44,755	\$ 44,755	\$ -	\$ -
Investments reported using NAV as a practical expedient (A)				
Pooled investments	\$ 1,605,439	\$ -	\$ -	\$ -
Total investments	\$ 1,650,194	\$ 44,755	\$ -	\$ -

The following table represents the Center's fair value hierarchy for investments as of June 30, 2024:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market mutual funds	\$ 337,012	\$ 337,012	\$ -	\$ -
Investments reported using NAV as a practical expedient (A)				
Pooled investments	\$ 1,959,155	\$ -	\$ -	\$ -
Total investments	\$ 2,296,167	\$ 337,012	\$ -	\$ -

Certain investments are measured at fair value using level 1 inputs, while others are measured using NAV as a practical expedient. As of June 30, 2025 and 2024, the Center did not possess any level 2 or 3 type of investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

(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:

	<u>Fair Value</u>		<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
	<u>2025</u>	<u>2024</u>			
Pooled investments	\$ 1,605,439	\$ 1,959,155	\$ -	\$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

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(4) Fair value measurement (continued)**

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, 2025 and 2024.

*Money market mutual funds:* Valued at the quoted market prices at the reporting date multiplied by the quantity held. The carry value equals fair value.

*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 Centers 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 Centers 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.

**(5) Contributions and grants receivable**

Contributions and grants receivable at June 30, 2025 and 2024 consist of the following:

	With Donor Restrictions	
	2025	2024
Due within one year	\$ 1,202,800	\$ 510,856

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(6) Property and equipment**

Property and equipment as of June 30, 2025 and 2024 are comprised of the following:

	2025	2024
Land	\$ 27,000	\$ 27,000
Leasehold improvements	456,224	456,224
Buildings and building improvements	1,900,377	1,887,417
Equipment, furniture and software	432,951	361,765
	2,816,552	2,732,406
Less: accumulated depreciation and amortization	(1,853,089)	(1,713,965)
	\$ 963,463	\$ 1,018,441

Depreciation and amortization expense amounted to \$139,124 and \$134,480 in 2025 and 2024, respectively.

**(7) Loans payable**

During the year ended June 30, 2024, the Center entered into a Returnable Grant Fund (“RFG”) loan with New York City (the “City”). Borrowings under this loan were secured by the Center’s contract with the City. This was a zero interest loan that was paid in the current year. The City recouped the RFG loan by reducing the amounts owed to the Center in uniform installments. Loans payable as of June 30, 2025 and 2024 was \$0 and \$561,799, respectively.

**(8) Line of credit**

The Center has an unsecured line of credit of \$1,000,000 with a financial institution. The agreement is subject to certain covenants. The line of credit bears interest at the prime rate plus 3%, which was approximately 10.23% as of June 30, 2025. As of June 30, 2025, there was an outstanding balance of \$870,000 on the line of credit. Interest expense due on the line of credit was \$12,504 for the year ended June 30, 2025.

**(9) 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 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, 2023, was 2.84%.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(9) Leases (continued)**

As of June 30, 2025, the weighted average remaining lease term for the Center's operating lease was approximately .25 years.

Cash paid for the operating lease for the year ended June 30, 2025 was \$211,511. 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,		
2026	\$	53,006
Less: discount to present value		<u>(125)</u>
Total lease liability	\$	<u>52,881</u>

**(10) 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, 2025 and 2024, the Center did not contribute to the plan.

**(11) Net assets with donor restrictions**

Net assets with donor restrictions as of June 30, 2025 and 2024 are restricted for or related to the following purposes:

	2025	2024
Purpose and time restricted net assets -		
Youth	\$ 1,012,595	\$ 600
Immigration services	279,502	28,816
Thanksgiving	17,012	16,407
Rent relief	-	10,000
Unappropriated endowment fund		
Investment return	<u>709,238</u>	<u>579,703</u>
Total purpose and time restricted net assets	2,018,347	635,526
Net assets restricted in perpetuity -		
Endowment	<u>465,575</u>	<u>465,575</u>
Total net assets with donor restrictions	<u>\$ 2,483,922</u>	<u>\$ 1,101,101</u>

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(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 other events specified by donors for the years ended June 30, 2025 and 2024 as follows:

	2025	2024
Immigration services	\$ 28,816	\$ -
Rent relief	10,000	-
Youth	600	-
Family development/familia adelante	-	356,650
Social services	-	25,000
	\$ 39,416	\$ 381,650

**(12) 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.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(12) Endowment (continued)**

Funds with deficiencies -

The Center has no funds with deficiencies as of June 30, 2025 and 2024.

The endowment net asset composition for the years ended June 30, 2025 and 2024 were:

	<u>2025</u>	<u>2024</u>
Donor-restricted endowment fund		
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	\$ 465,575	\$ 465,575
Accumulated investment return on endowment	<u>709,238</u>	<u>579,703</u>
	<u>\$ 1,174,813</u>	<u>\$ 1,045,278</u>

Changes in endowment net assets for the years ended June 30, 2025 and 2024 were:

	<u>2025</u>	<u>2024</u>
Endowment net assets, beginning of year	\$ 1,045,278	\$ 919,837
Investment return	<u>129,535</u>	<u>125,441</u>
Endowment net assets, end of year	<u>\$ 1,174,813</u>	<u>\$ 1,045,278</u>

**(13) 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. As of June 30, 2025, cash in excess of federally insured limits was \$22,394.

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.

**MERCY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(13) Concentrations**

Contributions and grants receivable and related revenues -

Contributions and grants receivable in the amount of \$239,379 as of June 30, 2025, was due from three sources. Contributions and grants receivable in the amount of \$215,963 as of June 30, 2024, was due from one source. Government support receivable in the amount of \$1,579,256 as of June 30, 2025, was due from one source. Government support receivable in the amount of \$1,154,967 as of June 30, 2024, was due from one source. Contributions and grants revenue in the amount of \$1,125,000 in 2025 was recognized from one source, and \$400,000 in 2024 were recognized from two sources. Government support revenue in the amount of \$1,800,000 in 2025 and \$1,600,000 in 2024 was recognized from one source. These represent concentrations of revenue and credit risk to the Center.

**(14) Commitments and contingencies**

Contract considerations -

The Center receives a substantial portion of its funding from contracts and grants which are subject to audit by government agencies. Such audits may result in disallowances and a request for a return of funds. It is the opinion of management that the effect of disallowances, if any, would be immaterial to the Center's financial position.

**(15) In-kind contributions**

During the years ended June 30, 2025 and 2024, the Center reported the following in-kind contributions that have been reflected in the financial statements:

	<u>2025</u>	<u>2024</u>
Professional services	<u>\$ 144,886</u>	<u>\$ 75,039</u>

In-kind contributions did not have donor-imposed restrictions. In-kind donated services comprise of professional services for teaching and information technology.

**(16) Subsequent events**

The Center has evaluated subsequent events through March 31, 2026, which is the date these financial statements were available to be issued, noting no matters which require recognition or disclosure in the financial statements.