

MARY'S PENCE

Financial Statements

June 30, 2018



Mary's Pence

Funding Women. Changing Lives.

MARY'S PENCE

Table of Contents

Independent Auditor's Report.....	1-2
Statements of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 – 13



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mary's Pence
Saint Paul, Minnesota

We have audited the accompanying financial statements of Mary's Pence which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mary's Pence as of June 30, 2018 and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Mary's Pence's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 19, 2018

Akins Henke and Company

MARY'S PENCE
 Statements of Financial Position
 June 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 271,454	305,021
Prepaid expense	20,297	8,997
Total Current Assets	<u>291,751</u>	<u>314,018</u>
Website, net	13,820	11,940
Investments	522,328	399,542
Security deposit	600	600
Total Assets	<u>\$ 828,499</u>	<u>726,100</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities		
Accounts payable	\$ 8,973	9,507
Accrued compensation	8,915	4,207
Total Current Liabilities	<u>17,888</u>	<u>13,714</u>
Promissory note	20,000	20,000
Total Liabilities	<u>37,888</u>	<u>33,714</u>
Net Assets		
Unrestricted:		
Undesignated	346,847	283,464
Designated	438,621	401,006
Total Unrestricted Net Assets	<u>785,468</u>	<u>684,470</u>
Temporarily restricted	5,143	7,916
Total Net Assets	<u>790,611</u>	<u>692,386</u>
Total Liabilities and Net Assets	<u>\$ 828,499</u>	<u>726,100</u>

See accompanying notes to the financial statements.

MARY'S PENCE
Statement of Activities
For the Year Ended June 30, 2018
With Comparative Totals for 2017

REVENUE AND SUPPORT	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
Contributions	\$ 475,890	61,150	537,040	513,631
Estate contributions	64,779	-	64,779	69,562
Investment income, net	13,426	-	13,426	16,213
Total Revenue and Support	<u>554,095</u>	<u>61,150</u>	<u>615,245</u>	<u>599,406</u>
NET ASSETS RELEASED FROM RESTRICTIONS:				
Restrictions Satisfied by Expenditures	<u>63,923</u>	<u>(63,923)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program	409,533	-	409,533	387,950
Support services:				
Management and general	30,134	-	30,134	29,095
Fundraising	77,353	-	77,353	72,542
Total Expenses	<u>517,020</u>	<u>-</u>	<u>517,020</u>	<u>489,587</u>
CHANGE IN NET ASSETS	100,998	(2,773)	98,225	109,819
NET ASSETS - BEGINNING OF YEAR	<u>684,470</u>	<u>7,916</u>	<u>692,386</u>	<u>582,567</u>
NET ASSETS - END OF YEAR	<u>\$ 785,468</u>	<u>5,143</u>	<u>790,611</u>	<u>692,386</u>

See accompanying notes to the financial statements.

MARY'S PENCE
Statement of Functional Expenses
For the Year Ended June 30, 2018
With Comparative Totals for 2017

	Management and			Total	Total
	Program	General	Fundraising	2018	2017
Salaries	\$ 106,994	14,502	42,471	163,967	128,023
Payroll taxes	8,130	1,100	3,251	12,481	9,697
Employee benefits	16,832	1,010	4,677	22,519	19,381
Grants	111,393	-	-	111,393	107,597
Public education and outreach	23,800	-	-	23,800	12,580
Marketing	-	-	6,986	6,986	3,145
Occupancy	8,999	563	1,686	11,248	10,971
Postage	6,770	203	1,836	8,809	7,442
Supplies	2,598	107	377	3,082	13,013
Telephone	2,800	144	430	3,374	3,320
Insurance	2,683	163	489	3,335	3,139
Professional fees	70,941	7,287	5,011	83,239	111,588
Travel	25,226	84	2,171	27,481	31,087
Board meetings and travel	12,535	715	2,419	15,669	13,736
Bank and credit card fees	22	3,777	-	3,799	3,906
Equipment rental	3,756	231	639	4,626	6,296
Dues and subscriptions	582	14	120	716	923
Licenses and fees	-	153	4,182	4,335	3,216
Depreciation	5,472	-	608	6,080	-
Miscellaneous	-	81	-	81	527
Total Expenses	\$ 409,533	30,134	77,353	517,020	489,587

See accompanying notes to the financial statements.

MARY'S PENCE
 Statements of Cash Flows
 For the Years Ended June 30, 2018 and 2017

CASH FLOWS PROVIDED BY (USED FOR)	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 98,225	109,819
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	6,080	-
Net realized and unrealized gains on investments	(1,219)	(4,058)
Increase in prepaid expense	(11,300)	(15)
Decrease in accounts payable	(534)	(10,525)
Increase (decrease) in accrued compensation	4,708	(659)
Net cash provided by operating activities	<u>95,960</u>	<u>94,562</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of website	(7,960)	(11,940)
Sales of investments	1,483	1,466
Purchase of investments	<u>(123,050)</u>	<u>(28,531)</u>
Net cash used for investing activities	<u>(129,527)</u>	<u>(39,005)</u>
INCREASE (DECREASE) IN CASH	(33,567)	55,557
CASH - BEGINNING OF YEAR	<u>305,021</u>	<u>249,464</u>
CASH - END OF YEAR	<u>\$ 271,454</u>	<u>305,021</u>

Supplemental Disclosures of Cash Flow Information

Cash is defined as cash in checking and savings.

See accompanying notes to the financial statements.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2018
With Comparative Totals for 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Mary's Pence (the Organization) was incorporated under the laws of the State of Illinois in 1987 as a non-profit. Mary's Pence promotes Catholic social justice by directing donated resources to small women's projects in North America, South America, Central America and the Caribbean. Mary's Pence is an organization serving women in the Americas in order to help them improve their overall health and well-being through increased economic self-sufficiency. The focus is on ministries that directly impact the quality of life. Mary's Pence offers resources and training that increases women's economic power while fostering education and expanding leadership.

Programs

The Organization's programs are as follows:

Mary's Pence Grants

Mary's Pence Grants are awarded to projects that increase the economic security of women and increase women's voice in their community. We support projects that are locally conceived and implemented, based on the needs within the community. Projects focus on systemic change that improves the status of women.

ESPERA Program

Through the ESPERA program, Mary's Pence partners with women's organizations in Central America, Mexico and Haiti to start community lending pools. The women own and manage the fund, the money does not return to Mary's Pence. The money is used by the women now and into the future, for income generating projects. Mary's Pence supports the groups with coaching, encouragement, and additional funds for administration of the fund, or training and development.

Education and Outreach

Our Education and Outreach efforts are based on Catholic Social Teaching Principles. Mary's Pence shares information on the issues of justice, women's rights and human rights, and other issues faced by women and families living in poverty – here in the U.S. as well as those in Latin America. Our education and outreach efforts include our newsletters, emails and letters to donors and interested parties, participation in conferences and workshops, our calendar of women, and other ways we interact with our communities.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2018
With Comparative Totals for 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Basis of Presentation

The accompanying financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets- Those resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose. At June 30, 2018 and 2017, the Board of Directors designated \$438,621 and \$401,006, respectively, for the operating reserve. The goal of the Organization is to reserve six to nine months of operating expenses in the operating reserve. When the Organization receives unrestricted estate gifts, it is the policy of the Organization to designate those gifts for a particular purpose.

Temporarily Restricted Net Assets- Those resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or passage of time. At June 30, 2018 and 2017, there were temporarily restricted net assets of \$5,143 and \$7,916, respectively, for a grantee retreat.

Permanently Restricted Net Assets- Those resources subject to a donor-imposed restriction required to be maintained permanently by the Organization. The Organization has no permanently restricted net assets.

Unrestricted, Temporarily Restricted and Permanently Restricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as restricted support and then released from restriction.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2018
With Comparative Totals for 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or as decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Website

During fiscal 2017, the Organization started the process of creating a new website. The website was completed in fiscal 2018. The website cost at June 30, 2018 and 2017 was \$19,900 and \$11,940, respectively. Depreciation is provided, using the straight-line method, over its estimated useful life of three years. Depreciation expense and accumulated depreciation at June 30, 2018 was \$6,080.

Concentration of Revenue and Support

As of June 30, 2018, two donors accounted for approximately 26% of total revenue and support. As of June 30, 2017, one donor accounted for approximately 11% of total revenue and support.

Grants

Unconditional grants are recorded as an expense when approved by the Organization's Board of Directors. Grants that are subject to conditions are recorded as an expense when the conditions have been substantially met.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

A number of volunteers have made significant donations of their time to the Organization's program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2018
With Comparative Totals for 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Investments

Investments are recorded at fair value. Purchases and sales of investments are recorded on the trade-date basis. Interest and dividend income are recorded when earned. Realized gains and losses are recorded as the difference between historical cost and the amount of cash proceeds received when sold. Unrealized gains and losses are recorded as the change in fair value of investments during the year.

Income Tax

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2018 and 2017, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organization maintains checking and savings accounts at two financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At June 30, 2018, the Organization had no uninsured cash balances. At June 30, 2017, the Organization had approximately \$58,000 of uninsured cash balances.

Functional Allocation of Expenses

The expenses are summarized on a functional basis. Salaries and related expenses are allocated by function based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable, are allocated based on the best estimates of management.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2018
With Comparative Totals for 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Prior Year Summarized Information

The financial statements include certain prior year summarized information in total but not by net asset class or by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through October 19, 2018, the date which the financial statements were available for issue.

(2) **INVESTMENTS**

Investments are comprised of the following at June 30:

	2018	2017
Money Market	\$ 143,778	63,523
Fixed Income Mutual Funds	120,594	121,683
Equity Mutual Funds	109,002	40,282
Real Estate Investment Trust	-	5,360
Corporate and Government Bonds	65,265	82,281
U.S. Stocks	<u>83,689</u>	<u>86,413</u>
Total	\$ <u>522,328</u>	<u>399,542</u>

Investment income, net consisted of the following for fiscal 2018 and 2017:

	2018	2017
Interest and dividends	\$ 13,563	14,019
Unrealized gains (losses), net	(39,386)	4,087
Realized gains (losses), net	40,605	(29)
Investment management fees	<u>(1,356)</u>	<u>(1,864)</u>
Total	\$ <u>13,426</u>	<u>16,213</u>

The investments are subject to market and trading fluctuations. Management believes there are no significant concentrations of credit risk.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2018
With Comparative Totals for 2017

(3) **FAIR VALUE MEASUREMENTS**

U.S. GAAP establishes a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets, such as the New York Stock Exchange.
- Level 2 assets and liabilities are valued using inputs other than unadjusted quoted prices included in Level 1 that are observable either directly or indirectly for the assets or liability. Bonds were valued based on inputs from brokers and dealers in secondary markets.
- Level 3 assets and liabilities are valued using pricing inputs which are unobservable for the asset or liability. The Organization has no level 3 assets or liabilities.

Fair values of assets and liabilities measured on a recurring basis are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2018</u>				
Money Market	\$ 143,778	-	-	143,778
Fixed Income Mutual Fund	120,594	-	-	120,594
Equity Mutual Funds	109,002	-	-	109,002
Corporate and Government Bonds	-	65,265	-	65,265
U.S. Stocks	<u>83,689</u>	-	-	<u>83,689</u>
	<u>\$ 457,063</u>	<u>65,265</u>	<u>-</u>	<u>522,328</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2017</u>				
Money Market	\$ 63,523	-	-	63,523
Fixed Income Mutual Funds	121,683	-	-	121,683
Equity Mutual Funds	40,282	-	-	40,282
Real Estate Investment Trust	5,360	-	-	5,360
Corporate and Government Bonds	-	82,281	-	82,281
U.S. Stocks	<u>86,413</u>	-	-	<u>86,413</u>
	<u>\$ 317,261</u>	<u>82,281</u>	<u>-</u>	<u>399,542</u>

MARY'S PENCE
Notes to the Financial Statements
June 30, 2018
With Comparative Totals for 2017

(4) **RETIREMENT PLAN**

The Organization maintains a Simple IRA retirement plan which is available to all eligible employees. Participants may contribute a certain percentage of their compensation, not to exceed the limitations established by the Internal Revenue Code. The Organization makes matching contributions equal to 100% of the employee's contributions, not to exceed 3% of the employee's compensation. For fiscal 2018 and 2017, the Organization contributed \$4,548 and \$3,583, respectively, to the plan.

(5) **PROMISSORY NOTE**

The Organization has an unsecured promissory note with Sisters of Charity of Saint Vincent De Paul New York for \$20,000. The note matures and the principal is due September 1, 2020. Per the terms of the note, the note may be extended beyond September 1, 2020 according to arrangements made between the two parties. The note bears no interest as long as Mary's Pence submits annual financial audits and progress reports to Sisters of Charity of Saint Vincent De Paul New York.

(6) **LEASES**

The Organization had an operating lease for office space and was charged monthly rent. The lease expired on August 31, 2018 and the lease is now month-to-month. Rent expense for fiscal year 2018 and 2017 was \$11,248 and \$10,971, respectively.

The Organization has operating leases for office equipment which expire in fiscal 2022. Rent expense on such equipment for fiscal year 2018 and 2017 was \$3,243 and \$3,706, respectively.

Future minimum lease payments under the above operating leases are as follows:

2019	\$ 5,127
2020	3,243
2021	2,747
2022	<u>105</u>
	\$ <u>11,222</u>