MERCY CENTER CORPORATION

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

C O N T E N T S

O'CONNELL & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

SUITE 1100
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JENKINTOWN, PA 19046

INDEPENDENT AUDITOR'S REPORT

December 18, 2018

To the Board of Trustees
Mercy Center Corporation
Asbury Park, New Jersey

We have audited the accompanying financial statements of Mercy Center Corporation which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenditures for the years then ended, and the related notes to 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 audits. We conducted our audits 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 from 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Mercy Center Corporation as of June 30, 2018 and 2017, 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.

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MERCY CENTER CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Non Current Assets		
Cash and cash equivalents	$ 222,531	$ 590,699
Investments	1,403,332	895,372
Pledges receivable	220,885	284,393
Grant receivable	64,603	102,402
Other current assets	9,323	10,887
Total Non Current Assets	1,920,674	1,883,753
Fixed assets - net	3,701,555	3,830,290
TOTAL ASSETS	$ 5,622,229	$ 5,714,043

	2018	2017
LIABILITIES AND NET ASSETS		
Liabilities		
Note payable	$ 50,000	$ 50,000
Accounts payable	14,658	14,478
Prepaid tuition	17,817	21,210
Accrued expenses	24,067	25,172
Total Liabilities	106,542	110,860
Net Assets		
Unrestricted	2,507,197	2,436,725
Temporarily restricted	2,958,490	3,116,458
Permanently restricted	50,000	50,000
Total Net Assets	5,515,687	5,603,183
TOTAL LIABILITIES AND NET ASSETS	$ 5,622,229	$ 5,714,043

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

MERCY CENTER CORPORATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT								
Grants	$ 686,513	$ 35,000	$ -	$ 721,513	$ 642,974	$ -	$ -	$ 642,974
Contributions	782,396	89,715	-	872,111	1,651,812	125,180	-	1,776,992
Investment income	38,491	-	5,522	44,013	8,953	-	7,322	16,275
Tuition	38,762	-	-	38,762	46,747	-	-	46,747
Special events, net of expenses of $27,359 and $10,487 in 2018 and 2017, respectively	69,436	-	-	69,436	21,718	-	-	21,718
Other income	568	-	-	568	7,505	-	-	7,505
Gain on sale	-			-	-			-
Satisfaction of program restrictions	64,986	(64,986)	-	-	117,561	(117,561)	-	-
Satisfaction of time restrictions	217,697	(217,697)	-	-	217,802	(217,802)	-	-
Endowment transfer	5,522	-	(5,522)	-	7,322	-	(7,322)	-
TOTAL REVENUES AND OTHER SUPPORT	1,904,371	(157,968)	-	1,746,403	2,722,394	(210,183)	-	2,512,211
EXPENSES AND OTHER CHARGES								
Program Expenses								
Elementary Education	870,269	-	-	870,269	902,888	-	-	902,888
Aid to the Needy	675,122	-	-	675,122	639,500	-	-	639,500
Total Program Expenses	1,545,391	-	-	1,545,391	1,542,388	-	-	1,542,388
Management and General	205,827	-	-	205,827	183,284	-	-	183,284
Development	82,681	-	-	82,681	94,452	-	-	94,452
TOTAL EXPENSES AND OTHER CHARGES	1,833,899	-	-	1,833,899	1,820,124	-	-	1,820,124
INCREASE (DECREASE) IN NET ASSETS	70,472	(157,968)	-	(87,496)	902,270	(210,183)	-	692,087
NET ASSETS - Beginning of Year	2,436,725	3,116,458	50,000	5,603,183	1,534,455	3,326,641	50,000	4,911,096
NET ASSETS - End of Year	$ 2,507,197	$ 2,958,490	$ 50,000	$ 5,515,687	$ 2,436,725	$ 3,116,458	$ 50,000	$ 5,603,183

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

MERCY CENTER CORPORATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (87,496)	$ 692,087
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	155,609	151,878
Gain on investments	(29,483)	(11,418)
Changes in operating assets and liabilities		
Decrease (Increase)		
Grant receivable	37,799	(96,551)
Pledges receivable	63,508	48,179
Other current assets	1,564	1,552
Increase (Decrease)		
Accounts payable	180	(5,702)
Prepaid tuition	(3,393)	(2,930)
Accrued expenses	(1,105)	6,752
NET CASH PROVIDED BY OPERATING ACTIVITIES	137,183	783,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(26,874)	(63,605)
Sale of investments	361,533	248,085
Purchase of investments	(840,010)	(858,159)
NET CASH USED BY INVESTING ACTIVITIES	(505,351)	(673,679)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(368,168)	110,168
CASH AND CASH EQUIVALENTS - Beginning of year	590,699	480,531
CASH AND CASH EQUIVALENTS - End of year	$ 222,531	$ 590,699
SUPPLEMENTAL INFORMATION		
Interest paid	$ -	$ -
Interest capitalized	$ -	$ -

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

<u>MERCY CENTER CORPORATION</u>

<u>STATEMENTS OF FUNCTIONAL EXPENDITURES</u>

<u>YEARS ENDED JUNE 30, 2018 AND 2017</u>

	2018						2017					
	Program Expenses			Management			Program Expenses			Management		
	Elementary Education	Aid to the Needy	Total	and General	Development	Total	Elementary Education	Aid to the Needy	Total	and General	Development	Total
Salaries and wages	$ 459,430	$ 439,091	$ 898,521	$ 145,676	$ 60,000	$ 1,104,197	$ 437,585	$ 432,996	$ 870,581	$ 138,670	$ 60,000	$ 1,069,251
Payroll taxes	42,627	48,288	90,915	9,503	4,590	105,008	40,271	47,217	87,488	9,570	4,590	101,648
Accounting and auditing	5,000	6,574	11,574	1,026	-	12,600	5,000	3,674	8,674	626	-	9,300
Administrative fees	6,138	-	6,138	8,166	-	14,304	6,992	-	6,992	7,581	-	14,573
Advertising	1,029	4,016	5,045	535	-	5,580	1,110	903	2,013	349	-	2,362
Alarm system	3,057	731	3,788	40	-	3,828	1,537	1,604	3,141	2,564	-	5,705
Auto expense	109	447	556	76	-	632	1,757	505	2,262	1,073	-	3,335
Background verification	74	-	74	-	-	74	153	122	275	-	-	275
Bad debt expense	-	-	-	-	-	-	18,465	-	18,465	-	-	18,465
Bus rental	11,965	-	11,965	-	-	11,965	10,821	-	10,821	-	-	10,821
Cleaning	22,094	3,639	25,733	5,358	-	31,091	18,179	1,525	19,704	4,247	-	23,951
Consultants	-	12,226	12,226	13,500	-	25,726	3,948	8,527	12,475	4,230	-	16,705
Depreciation	129,239	18,459	147,698	7,911	-	155,609	126,075	18,062	144,137	7,741	-	151,878
Educational association dues	1,912	-	1,912	-	-	1,912	3,878	-	3,878	-	-	3,878
Employee benefits	16,685	21,130	37,815	3,412	8,001	49,228	37,214	31,287	68,501	8,741	7,510	84,752
Equipment	2,660	81	2,741	2,300	-	5,041	7,204	6,200	13,404	1,760	-	15,164
Extra curricular activities	8,469	1,880	10,349	-	-	10,349	15,399	-	15,399	-	-	15,399
Fund raising	-	-	-	-	10,090	10,090	-	-	-	-	22,352	22,352
Hospitality	2,765	100	2,865	5,322	-	8,187	3,262	86	3,348	4,150	-	7,498
Insurance	33,692	9,053	42,745	8,606	-	51,351	33,792	8,201	41,993	7,945	-	49,938
Internet and computer technology	5,981	60	6,041	802	-	6,843	14,153	78	14,231	-	-	14,231
Marketing/Outreach	6,213	7,694	13,907	3,253	-	17,160	6,060	1,812	7,872	2,837	-	10,709
Meals	25,609	780	26,389	-	-	26,389	24,731	-	24,731	-	-	24,731
Office supplies	8,463	9,872	18,335	3,567	-	21,902	7,781	7,739	15,520	2,541	-	18,061
Overhead allocation	-	34,022	34,022	(34,022)	-	-	-	36,960	36,960	(36,960)	-	-
Pest Control	825	1,093	1,918	48	-	1,966	745	1,220	1,965	1,041	-	3,006
Postage	1,463	798	2,261	648	-	2,909	1,063	944	2,007	342	-	2,349
Printing	560	4,847	5,407	71	-	5,478	5,575	1,877	7,452	723	-	8,175
Rent	1,009	-	1,009	-	-	1,009	1,682	-	1,682	-	-	1,682
Repairs and maintenance	13,363	4,774	18,137	4,859	-	22,996	11,255	2,885	14,140	3,255	-	17,395
Scholarship	9,911	-	9,911	-	-	9,911	7,978	-	7,978	-	-	7,978
Specific assistance to clients	-	18,834	18,834	5,014	-	23,848	-	11,475	11,475	1,621	-	13,096
Teaching supplies	8,768	-	8,768	-	-	8,768	6,695	-	6,695	-	-	6,695
Telephone	5,943	5,126	11,069	2,236	-	13,305	6,047	4,609	10,656	2,184	-	12,840
Textbooks	2,465	-	2,465	-	-	2,465	2,273	-	2,273	-	-	2,273
Training and conferences	100	4,713	4,813	-	-	4,813	600	4,768	5,368	-	-	5,368
Travel	-	2,801	2,801	-	-	2,801	-	4,516	4,516	-	-	4,516
Utilities	32,651	13,993	46,644	7,920	-	54,564	33,608	(292)	33,316	6,453	-	39,769
	$ 870,269	$ 675,122	$ 1,545,391	$ 205,827	$ 82,681	$ 1,833,899	$ 902,888	$ 639,500	$ 1,542,388	$ 183,284	$ 94,452	$ 1,820,124

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

MERCY CENTER CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Mercy Center Corporation, (the "Corporation"), a not-for-profit organization, conducts social supportive services for the working poor, outreach services for the mentally ill, behavioral health services for families and children, and mentoring programs for juveniles, and operates an educational program for young girls of elementary school age. The objectives of the Corporation's programs are funded by volunteer services, contributions, and grants-in-aid. The Corporation is sponsored by the Sisters of Mercy of the Americas, Mid-Atlantic Community, Inc. (SOM), which is the sole member the Corporation. The Corporation qualifies as a tax-exempt organization under Section 501(c) 3 of the Internal Revenue Code; accordingly, there is no income tax applicable to its activities.

1 Summary of Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Accrual Basis -- The financial statements of the Corporation have been prepared on the accrual basis.

Cash and Cash Equivalents -- For the Statement of Cash Flows, the Corporation includes cash on deposit, cash on hand and money market funds.

Investments -- Investments are reported in the financial statements at fair value. Investments include certificates of deposit and multi-asset mutual funds.

Land, Building and Equipment -- The Corporation capitalized fixed assets at cost and donated assets at their fair value. The Corporation's policy is to capitalize major improvements to buildings and grounds with a cost of $2,500 or more and equipment with a unit cost of $1,000 or more. Depreciation is calculated on the straight-line method based on the estimated useful lives of the assets set forth below:

Buildings and improvements	10 - 39 years
Other furniture and equipment	3 - 7 years

Temporarily Restricted -- The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor contributions of long lived assets and donations to acquire long lived assets are classified as restricted support. The Corporation implies time restrictions on the use of contributed long lived assets and assets contributed to acquire long lived assets. When a donor 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 restriction. The Corporation reports restricted contributions as unrestricted support if the restrictions are satisfied in the same reporting period in which the contributions are received.

1 Summary of Significant Accounting Policies (Continued)

Advertising -- The Corporation follows the policy of charging the costs of advertising to expense as incurred.

Permanently Restricted Funds -- The Corporation has adopted a total return investment policy in accordance with state law. The primary investment objective is to maximize long-term return through a combination of income and capital appreciation achieved in a prudent manner. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate as measured by the Consumer Price Index. The investment policy of the Corporation will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, management judgment regarding the allocation of assets among different kinds of asset classes, identification of appropriate investment vehicles, and the making of specific investment decisions.

The Corporation's investments consists of multi-asset mutual funds. The Corporation has adopted a policy of spending all income earned on the investments. The Corporation's goal is to preserve the purchasing power of the endowed assets. The distribution or spending of the aggregate amount is first guided by the individual endowment agreements. In the absence of individual endowment agreements, the distribution or spending is determined by the Corporation's Board.

Contributions -- The Corporation records contributions of cash and other assets when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair market value of the assets received and are classified as either permanently restricted, temporarily restricted or unrestricted, depending on whether the donor has imposed a restriction on the use of such assets.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes -- The Corporation adopted the accounting standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial statement effect for the Corporation. The Corporation is no longer subject to federal and state tax examinations for the years prior to 2015.

1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements -- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term as the financial instrument. Alternative investments' fair value are based on their net asset value per unit as reported by their managers.

Level 3 - Inputs to the valuation methodology are unobservable.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities that are measured at fair value are based on one or more of the three valuation techniques that follow:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

2 Concentration of Risk

The Corporation maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. Management believes the Corporation is not exposed to any significant credit risk related to cash and cash equivalents.

3 Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), intended to improve financial reporting for not-for-profit entities.

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Corporation's financial statements, it is not expected to alter the Corporation's reported financial position.

4 Related Party Transactions

Payments to SOM

A total of $164,883 and $165,970 was paid to SOM for the services of Sisters who are assigned to the Corporation for the years ended June 30, 2018 and 2017, respectively.

Donations from SOM

SOM donated $15,000 to the Corporation during each of the years ended June 30, 2018 and 2017.

5 Investments

The following table sets forth by level, within the fair value hierarchy, the Center's investments as of June 30, 2018:

	Investments at Fair Values as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mercy Investment Services - Multi Asset Mutual Funds	$ 712,388	$ -	$ -	$ 712,388
Certificates of deposit	596,648	-	-	596,648
Treasury bills	94,296	-	-	94,296
	$ 1,403,332	$ -	$ -	$ 1,403,332

5 Investments (Continued)

The following table sets forth by level, within the fair value hierarchy, the Center's investments as of June 30, 2017:

	Investments at Fair Values as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Mercy Investment Services - Multi Asset Mutual Funds	$ 117,686	$ -	$ -	$ 117,686
Certificates of deposit	324,422	-	-	324,422
Treasury bills	453,264	-	-	453,264
	$ 895,372	$ -	$ -	$ 895,372

Investment income consists of the following:

	2018	2017
Interest and dividends	$ 17,067	$ 5,446
Gain on investments	29,483	11,418
Investment fees	(2,537)	(589)
	$ 44,013	$ 16,275

6 Grants Receivable

In general, grants-in-aid are made available to the Corporation through applications and agreements with funding agencies which might base their payments upon reimbursement of reported eligible expenses or limitations dictated by their own budget restraints. As of June 30, 2018 and 2017, amounts due to the Corporation in connection with such agreements totaled $64,603 and $102,402, respectively. Management expects the receivables to be collected prior to September 30, 2018.

7 Pledges Receivable

The Corporation has received gifts in the form of pledges to be paid in installments. The pledges have been reported at their net present value utilizing a discount rate of 3.5%. Administration has made a provision for pledges doubtful of collection in the amount of $28,513. The pledge receivable balance was $220,885 at June 30, 2018.

7 Pledges Receivable (Continued)

The pledges are expected to be received as follows:

2019	$ 135,144
2020	87,459
2021	22,995
2022	9,000
	254,598
Less provision for pledges doubtful of collection	(28,513)
Less present value adjustment	(5,200)
	$ 220,885

8 Fixed Assets

Below is a summary of fixed assets as of June 30, 2018 and 2017:

	2018	2017
Land/land improvements	$ 325,236	$ 320,735
Building and improvements	4,695,777	4,687,970
Other furniture and equipment	574,578	558,262
Construction in progress	-	1,750
	5,595,591	5,568,717
Less: accumulated depreciation	(1,894,036)	(1,738,427)
	$ 3,701,555	$ 3,830,290

Depreciation expense was $155,609 and $151,878 for the years ended June 30, 2018 and 2017, respectively.

9 Notes Payable

The Corporation was indebted to the Diocese of Trenton, New Jersey at June 30, 2018 and 2017 in the amount of $50,000 on an unsecured promissory note payable on demand. The note is non-interest bearing.

10 Temporarily Restricted

Temporarily restricted net assets are available for the following purposes as of June 30, 2018 and 2017:

	2018	2017
Academy building (net of depreciation)	$ 2,537,824	$ 2,628,203
Academy land	150,779	150,779
Academy scholarships	25,000	24,892
Circle of Mercy campaign	214,850	287,264
Fatherhood Empowerment program	28,886	-
Resiliency program	1,151	6,998
Academy Operations	-	15,000
Teacher development	-	1,961
Youth With a Purpose	-	1,361
	$ 2,958,490	$ 3,116,458

11 Satisfaction of Program Restrictions

Temporarily restricted net assets were reduced by incurring expenses satisfying the restricted purpose or by occurrences of other events specified by donors.

	2018	2017
Program Restriction Accomplished		
Scholarships	$ 24,892	$ 59,000
Academy Operations	15,000	15,000
Renovations at Sisters Academy	-	24,000
Summer camp	-	840
Fatherhood Empowerment program	6,114	-
Resiliency Program	13,348	7,140
Teacher development	1,961	-
Youth With a Purpose	3,671	11,581
	$ 64,986	$ 117,561
Time Restriction Satisfied		
Depreciation	$ 90,380	$ 89,445
Academy operations	127,317	128,357
	$ 217,697	$ 217,802

12 Permanently Restricted

Endowment

The Corporation's endowment consists of one fund established primarily to support general operations. The endowment includes only donor restricted endowment funds. As required by accounting standards generally accepted in the United States of America, net assets associated with endowment funds, including board designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Corporation has interpreted the New Jersey state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent of explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) enhancements or diminishments of the fund from investment income, loss, and spending allowance. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted net assets since the interest and dividends are to be used to support general operations in a manner consistent with New Jersey law.

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets.

Strategies Employed for Achieving Objectives

Beginning in the fiscal year ending June 30, 2016, to satisfy its long-term rate-of-return objectives, the Corporation will rely on a total return strategy in which investment returns will be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) by investing in multi-asset mutual funds.

The Corporation's endowment net assets had the following activity for the years ended June 30, 2018 and 2017:

	2018	2017
Endowment net assets, beginning of year	$ 50,000	$ 50,000
Investment income	5,522	7,322
Spending allowance	(5,522)	(7,322)
Changes in net assets	-	-
Endowment net assets, end of year	$ 50,000	$ 50,000

13 Compensated Absences

Employees of the Corporation are entitled to paid vacations, sick days and other time off depending on length of services and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when paid to employees.

14 Subsequent Event

The Corporation has evaluated all subsequent events through December 18, 2018, the date the financial statements were available to be issued.