MERCY CENTER CORPORATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

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For the Year Ended June 30, 2023

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Focused on the road ahead

Tax, Audit & Advisory

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Mercy Center Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mercy Center Corporation as of June 30, 2023, and the changes 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Mercy Center Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Mercy Center Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Mercy Center Corporation'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 Mercy Center Corporation '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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state and county financial assistance, as required under the State of New Jersey, Department of Treasury, Circular Letter 15-08-OMB, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of state and county financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2024 on our consideration of Mercy Center Corporation 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mercy Center Corporation 's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mercy Center Corporation 's internal control over financial reporting and compliance.

Cg Tax, Audit & Advisory

Tinton Falls, New Jersey
April 24, 2024

MERCY CENTER CORPORATION

STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	682,691
Investments		1,699,531
Pledge Receivables, net		117,413
Grant Receivables		104,993
Other Receivable		15,212
Prepaid Expenses and Other Current Assets		17,830
Total Current Assets		2,637,670
Property and Equipment, net		3,403,334
OTHER ASSETS		
Right of Use Assets		124,127
Total Assets	$	6,165,131
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$	66,046
Accrued Expenses		84,314
Operating Lease Liabilities, current portion		35,114
Deferred Revenue		208,277
Loan Payable		50,000
Total Current Liabilities		443,751
LONG-TERM LIABILITIES		
Operating Lease Liabilities, less current portion		89,211
Total Liabilities		532,962
NET ASSETS		
Net Assets Without Donor Restrictions		5,434,299
Net Assets With Donor Restrictions		197,870
Total Net Assets		5,632,169
Total Liabilities and Net Assets	$	6,165,131

See Accompanying Notes and Independent Auditor's Report.

MERCY CENTER CORPORATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants	$ 1,880,100	$ -	$ 1,880,100
Contributions and Fundraising	1,057,101	320,000	1,377,101
Contributed Services	43,521	-	43,521
Fee for Services	39,600	-	39,600
In-kind Donations	3,130,095	-	3,130,095
Special Events, net of direct costs of $116,613	391,211	-	391,211
Interest and Dividends	34,063	1,461	35,524
Unrealized Gain from Investments	14,342	251	14,593
Realized Gain from Investments	61,841	4,954	66,795
Other Income	3,442	-	3,442
Net Assets Released from Restrictions			
Due to Satisfaction of Requirements	459,565	(459,565)	-
Endowment Transfer	6,666	(6,666)	-
Total Support and Revenue	7,121,547	(139,565)	6,981,982
EXPENSES AND OTHER CHARGES			
Program Expenses			
Elementary Education	1,155,704	-	1,155,704
Aid to the Needy	4,679,460	-	4,679,460
Total Program Expenses	5,835,164	-	5,835,164
Management and General	817,244	-	817,244
Development	309,665	-	309,665
Total Expenses and Other Charges	6,962,073	-	6,962,073
Change in Net Assets	159,474	(139,565)	19,909
Net Assets, Beginning of Year as Originally Stated	5,315,248	337,435	5,652,683
Changes in Net Assets Adjustment	(40,423)	-	(40,423)
Net Assets, Beginning of Year as Restated	5,274,825	337,435	5,612,260
Net Assets, End of Year	$ 5,434,299	$ 197,870	$ 5,632,169

See Accompanying Notes and Independent Auditor's Report.

MERCY CENTER CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Program Expenses					
	Elementary Education	Aid to the Needy	Total	Management and General	Development	Total
Salaries and Wages	$ 629,892	$ 869,422	$ 1,499,314	$ 288,301	$ 142,939	$ 1,930,554
Payroll Taxes	48,081	71,234	119,315	29,939	13,333	162,587
Employee Benefits	53,626	92,400	146,026	119,626	29,368	295,020
Total Personnel	731,599	1,033,056	1,764,655	437,866	185,640	2,388,161
Administrative and Bank Fees	390	2,331	2,721	19,460	5,993	28,174
Aftercare for School	29,660	-	29,660	-	-	29,660
Arts Program at School	65,456	-	65,456	-	-	65,456
Bad Debt Expense	-	-	-	-	1,304	1,304
Building and Facilities	57,387	2,408	59,795	31,532	-	91,327
Cafeteria	26,045	-	26,045	-	-	26,045
Cleaning	26,568	11,406	37,974	16,591	-	54,565
Professional Services and Consultants	16,705	106,809	123,514	112,398	29,808	265,720
Donor Relations	-	-	-	-	5,081	5,081
Dues and Subscriptions	3,005	84	3,089	5,794	2,554	11,437
Extracurricular Activities	1,750	-	1,750	-	-	1,750
Hospitality	-	1,589	1,589	-	-	1,589
Insurance	300	-	300	63,521	-	63,821
Internet and Computer Technology	26,795	36,889	63,684	33,723	3,139	100,546
Marketing and Outreach	2,273	17,568	19,841	18,850	21,745	60,436
Office Supplies	5,397	15,558	20,955	19,302	958	41,215
Overhead Allocation	-	16,800	16,800	-	-	16,800
Food Distribution and Pantry	-	3,202,654	3,202,654	-	-	3,202,654
Postage	-	337	337	450	17,848	18,635
Printing	937	935	1,872	399	35,595	37,866
Professional Fees	-	10,144	10,144	-	-	10,144
Repairs and Maintenance	6,380	9,028	15,408	-	-	15,408
School General	12,620	-	12,620	-	-	12,620
Specific Assistance to Clients	-	192,862	192,862	3,003	-	195,865
Teaching Supplies	7,013	-	7,013	-	-	7,013
Telephone	320	8,603	8,923	8,329	-	17,252
Training and Conferences	35	10,399	10,434	20	-	10,454
Total Expenses Before Depreciation	1,020,635	4,679,460	5,700,095	771,238	309,665	6,780,998
Depreciation	135,069	-	135,069	46,006	-	181,075
Total Expenses	$ 1,155,704	$ 4,679,460	$ 5,835,164	$ 817,244	$ 309,665	$ 6,962,073

See Accompanying Notes and Independent Auditor's Report.

MERCY CENTER CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 19,909
Adjustments to Reconcile Change in Net Assets	
to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	181,075
(Gain) Loss on Investments	(81,388)
Bad Debt Expense	1,304
Non-cash Lease Adjustment	198
Prior Period Adjustment	(40,423)
Changes In assets and liabilities:	
(Increase) decrease In:	
Pledge Receivables	83,064
Grant Receivables	(100,193)
Other Receivable	(2,950)
Prepaid Expenses and Other Current Assets	30,150
Increase (decrease) in:	
Accounts Payable	38,829
Accrued Expenses	17,342
Deferred Revenue	208,277
Net Cash Provided by (Used in) Operating Activities	355,194
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(218,552)
Construction in Progress Purchases and Payments	(40,000)
Purchase of Investments	(514,418)
Net Cash Provided by (Used in) Investing Activities	(772,970)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net Cash Provided by (Used in) Financing Activities	-
Net Decrease in Cash and Cash Equivalents	(417,776)
Cash and Cash Equivalents, Beginning of Year	1,100,467
Cash and Cash Equivalents, End of Year	$ 682,691
Supplemental Cash Flow Disclosures:	
Cash paid for Taxes	$ -
Cash paid for Interest	$ -

See Accompanying Notes and Independent Auditor's Report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mercy Center Corporation, (the "Corporation" or “Mercy Center”), is a New Jersey non-profit corporation incorporated in 1985. Its mission is to end generational poverty in the greater Asbury Park areas. The Corporation works in three interlocking ways. First, through its pantry and emergency services, Mercy Center provides for the immediate needs of the community. Second, the Agency provides wrap around services so that members of the community can lead full and successful lives. Third, the Corporation aims to end the cycle of generational poverty by providing a non-denominational, faith based tuition-free educational of excellence to underserved girls in the fourth to eight grade. The Corporation’s main office is at 1106 Main Street in Asbury Park, New Jersey and the middle school is located at 1416 Springwood Avenue, Asbury Park, New Jersey. The Corporation qualifies as a tax-exempt organized under Section 501 (c) (3) of the Internal Revenue Code; accordingly, there is no income tax applicable to its activities.

Nature of Activities

Food Pantry

Mercy Center is only one of two full-day, five days a week pantries in Monmouth County, New Jersey. It acquires its food from the foodbank, local food donations, and donations from local retail outlets in the area. Subject to funding, the Corporation also provides emergency funding for housing, utilities, food stamp services, and free tax preparation services during tax season. The pantry served 70,067 individuals including 1,562 Thanksgiving baskets and 2,311 Christmas toys donated to children during fiscal year 2023.

The Family Resource Center

The Family Resource Center is a “one-stop shop” for information, advocacy, resources, and services related to the support and preservation of families. By promoting emotional, mental, and physical well-being, the Corporation helps to create and maintain family stability. Most programs and services are available in Spanish, Creole, and Arabic.

The Corporation operates the Family Resource Center, which provided 24,265 services to 787 individuals during fiscal year 2023.

The Sisters Academy

The Sisters Academy of New Jersey is a tuition-free middle school located in Asbury park, serving independent underserved and economically disadvantaged girls in grades four through eight. The Academy focuses on educating girls from surrounding communities in order to provide them with the tools necessary to gain access through education needs and success throughout their school education. It is entirely funded by private donations. The Academy enjoys tremendous success with its girls, where all of the 8th graders go on to graduate from high school. The Academy is supported by the Alumnae Association.

Mercy Center’s activities are supported by more than 50 volunteers who contributed over 12,573 hours of time to the Corporation during the fiscal year 2023.

The objectives of the Corporation’s program are funded through volunteer services, contributions, and grants-in-aid. The Corporation's revenues almost exclusively come through grants and contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements have been prepared on an accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to non-for-profit organizations. Income is recognized when earned and expenses when incurred.

In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are reflected in order of their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of the Corporation's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. Amounts for each of the net asset classes (with or without donor restrictions) are displayed in the accompanying statements of financial position, and changes in each of those classes of net assets are displayed in the accompanying statements of activities.

> Net Assets Without Donor Restrictions – Net assets without donor restrictions represent revenues and expenses related to the operation and management of the Corporation primary programs and supporting services and are not subject to donor-imposed restrictions. If funds are raised and set aside by the Board for future use, these are considered net assets without donor restrictions. Donor restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as net assets without donor restrictions.
>
> Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by the completion of a stipulated action and/or the passage of time and net assets subject to donor imposed stipulations that are maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on related investments for general or specific purposes.

Contribution and Donations of Financial and Nonfinancial Assets

Contributions of cash and other financial assets consists of cash and receivables received from third party collections and donations, which have been included under contributions of cash and other financial assets within the statement of activities.

Nonfinancial assets are assets that are not financial assets which includes but are not limited to fixed assets, use of fixed assets, or utilities, materials and supplies, intangible assets, and services. For the year ended June 30, 2023, the Corporation recorded $3,130,095 of in-kind pantry food donations and $43,521 of specialized contributed services, which is presented within the statement of activities and changes in net assets.

Donated Services

Mercy Center Corporation receives donated services from volunteers to support the food pantry, school, and Family Resource Center ("FRC") program. The value of these donated services related to non-specialized skills are not included in these financial statements as they do not meet the criteria for recognition under not for profit accounting standards.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services (Continued)

However, many individuals volunteer their time and perform a variety of tasks that assist Mercy Center Corporation with its program and mission statement.

During the year ended June 30, 2023, Management estimates that the Corporation received approximately 11,000 volunteer hours related to non-specialized skills.

Revenue and Support Recognition

Contributions are presented on the statement of activities in accordance with ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributions Nonfinancial Assets*, presenting contributed financial and nonfinancial assets separately within the financial statements. A contribution is an unconditional transfer of cash or other assets, as well as unconditional promises to give, to an entity or a reduction, settlement, or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to years in which the promises are received to discount the amounts. Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized.

All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When restrictions expire (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 statement of activities as net assets released from restrictions.

Grants support are cost-reimbursable contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Corporation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as liabilities in the statement of financial position. Mercy Center receives its grant support primarily from New Jersey Department of Children and Families and New Jersey Department of Human Services. The Corporation also receives grant support from the County of Monmouth and the City of Asbury Park.

Fee for service revenues are derived from a service contract with the Monmouth County Jail. The service contract is a fixed rate contract and amounts received are recognized as revenue with the Corporation has provided the counseling services and deliverables in compliance with the specific contract terms and provisions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support Recognition (Continued)

Effective July 1, 2019, the Corporation adopted Accounting Standards Update (ASU), 2014-09 Revenue from Contracts with Customers (Topic 606) and all subsequently issued clarifying ASU's which replaced most existing recognition guidance in generally accepted accounting principles in the United States of America (GAAP). The new guidance requires the Corporation to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contacts with customers. The adoption of this new guidance was done using the modified retrospective method. The Corporation applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of April 1, 2020. Results for reporting periods beginning after July 1, 2021 are presented under Topic 606 while prior periods amounts are not adjusted and continue to be reported in accordance with legacy GAAP.

The adoption of this new standard did not result in a material impact to the Corporation's financial statements. The largest impact of the adoption of the new standard is related to the allocation of transaction price for bundled services provided to the Company's customers. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to retained earnings at the date of adoption under the modified retrospective method.

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.

The outbreak of the novel strain of coronavirus ("COVID-19") has severely impacted, and continues to severely impact, the U.S. and global economies. We cannot estimate the length or severity of the COVID-19 pandemic or the related U.S. and global economic consequences on our business and operations, including whether and when historic economic and operating conditions will resume or the extent to which the disruption may impact our business, financial position, results of operations or cash flow. Our estimates, judgments and assumptions related to COVID-19 could ultimately differ over time.

Cash Equivalents

Cash and Cash equivalents including any highly liquid short-term investments with original maturity dates of less than three months. Cash and Cash equivalents includes cash on deposit, cash on hand, cash alternatives, and money market funds.

Concentration of Credit Risk

The Corporation maintains cash and cash equivalents with several financial institutions, which may exceed federally insured limits. The Federal Deposit Insurance Corporation ("FDIC") insures these accounts up to $250,000 per depositor. The Corporation historically has not experienced any cash in bank losses. Management believes the Corporation is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk (Continued)

The Corporation receives the majority of its funding from state and county grants, contributions, and donations funded on an annual basis. A significant reduction in either level of support or revenue, if this were to occur, could have a significant negative effect on the Corporation's programs and activities. Additionally, the grants and contracts are subject to financial and compliance requirements and possible audits by governmental agencies.

Grants Receivable

Grants receivable, less an appropriate allowance, are reported at their net present value. The corporation provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual grants.

Pledges Receivable

Pledges receivable, less an appropriate allowance, are reported at their net present value. The corporation provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Investments

Equities, certificate of deposits, multi-asset mutual funds, and security investments are recorded at fair market value in the statement of financial position. Quoted market prices are used to determine market value. Gains and losses on investments are reflected in the statement of activities.

In addition, the Corporation recognizes investment income when earned. Investments are reported in the financial statements at fair value. Investments include equities, certificate of deposits, multi-asset mutual funds, and securities.

Pooled Separate Accounts

The value of each separate account is determined at the close of each business day based on market value. The value of the account is expressed in units. Contributions to the account increase the number of units; withdrawals decrease the number of units. The unit value is the dollar value of one unit and is determined at the close of each business day by dividing the value of the entire account by the total number of units in the account. The value of a Corporation's account on any date is determined by multiplying the number of units held by the unit value at the close of the business day. Redemptions can be made daily.

The net asset value ("NAV"), as provided by the broker, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily. Were the Corporation to initiate a full redemption of the common collective trusts, the issuer reserves the right to temporarily delay withdrawal from the brokerage account in order to ensure that securities liquidations will be carried out in an orderly business manner.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is recorded at cost, if purchased and approximate fair value on the date received if donated. 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 $3,000 or more.

Depreciation is calculated on the straight-line method based on the estimated useful lives of the assets set forth below:

Description	Estimated Life (Years)
Buildings and improvements	10 – 39 years
Other Furniture and equipment	3 – 7 years

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss is recorded in the statement of activities and changes in net assets. Maintenance and repairs which do not extend the useful lives of the related assets are expensed as incurred.

Prepaid Expenses

Prepaid expenses are expenses that have been paid in one year but have not yet been fully used or consumed at the end of the accounting period. Prepaid assets are amortized on a straight-line basis, matching the incurred expense to the appropriate service period.

Deferred Revenue

Grant support revenue received from state grants under the New Jersey Department of Children and Families, including the New Jersey Department of Human Services as well as county grants under Monmouth County and Asbury Park, are recognized to the extent of allowable expenses.

Any excess must be refunded to the awarding agency. Deferred revenue is recorded for grants where government and county funds were received in advance in which no exchange allowable expenditure transactions took place. As of June 30, 2023, the Corporation deferred $208,277 of revenue related to grants support revenue on the statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Marketing and Outreach

Marketing and outreach are expensed in the period incurred. Marketing and outreach expenses for the year ended June 30, 2023 was $60,436.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among Corporations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. On May 20, 2020, the FASB voted to defer the effective date of ASC 842. The ASU is effective for Mercy Center's annual periods beginning after December 15, 2021, which is the year ended June 30, 2023, with early adoption permitted.

In June 2016, FASB issued Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 significantly changes the impairment model for most financial assets and certain other instruments. ASU 2016-13 will require immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, which will generally result in earlier recognition of allowances for credit losses on loans and other financial instruments. ASU 2016-13 is effective for the Company's fiscal year beginning July 1, 2022 and subsequent interim periods. The Company is in the process of evaluating the impact of this standard on their financial statements.

Leases

The Corporation adopted ASU No. 2016-02, "Leases" (Topic 842), as of July 1, 2022 using the modified transition approach. The modified transition approach provides a method for recording existing leases at adoption. As a result, the Corporation was not required to adjust its prior period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption (i.e., July 1, 2022).

For its long-term operating leases, the Company recognized right of use assets and operating lease liabilities on its balance sheet. The lease liability is determined as the present value of future lease payments using an estimated rate of interest that the Company would have to pay to borrow equivalent funds on a collateralized basis at the lease commencement date. The right of use assets is based on the liability adjusted for any prepaid or deferred rent. The lease term at the commencement date is determined by considering whether renewal options and termination options are reasonably assured of exercise. Rent expense for the operating lease is recognized on a straight-line basis over the lease term and is included in expenses on the statement of activities and changes in net assets

The adoption of the new standard resulted in the recording right of use lease assets and lease liabilities of $146,917. As of June 30, 2023, the Company has right of use asset of $124,127 and aggregate operating lease liabilities of $124,325. The standard did not materially impact the Corporation's changes in net assets.

Income Taxes

Mercy Center Corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for Federal income taxes in the accompanying financial statements. Though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Corporation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170 (b)(1)(A)(vi) and has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509 (a)(1) of the Internal Revenue Code.

Mercy Center Corporation regularly reviews and evaluates its tax positions taken in previously filed information returns with regards to issues affecting its tax-exempt status, unrelated business income and other related matters. The most significant tax positions of the Corporation are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax (UBIT).

The Corporation follows the guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertain income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. All significant tax positions have been considered by Management. It has been determined that it is more likely than not that all tax positions previously taken would be sustained upon examination by taxing authorities. As of the report date, the New Jersey Federal Forms 990 for the fiscal years ended June 30, 2020 through 2022 are open to examination by the IRS. No returns are currently under examination by the IRS.

Subsequent Events

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition and disclosure through the date of the independent auditor’s report, which is the date the financial statements were available to be issued.

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and fulfillment of payables and other obligations, were as follows:

Financial assets	
Cash and cash equivalents	$ 682,691
Investments	1,699,531
Pledge Receivable, net	117,413
Other Receivable	15,212
Total financial assets and liquidity resources	$ 2,514,847
Less amounts not available to be used within one year:	
Endowment funds with liquidity horizons greater than one year	$ 50,000
Pledge Receivable, net	52,466
Net Assets with Donor Restrictions	197,870
Financial assets not available to be used within one year	$ 300,336
Financial assets available to meet general expenditures	
Within one year	$ 2,214,511

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)

Mercy Center manages its financial assets to be available as operating expenditures, liabilities and other obligations come due. Mercy Center's cash flows have fluctuations during the year attributable to the timing of program operations and repayment from funding sources, which can take time from expenditure to reimbursement under the governmental contracts.

The Corporation has certain donor-imposed assets limited to use that are available for general expenditures within on year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Corporation has other donor-restricted assets that are not available for general expenditure within one year in the normal course of operations. These assets limited to use, which are more fully described in Notes 10 and 11, are not available for general expenditure within the next year.

NOTE 3 – GRANTS RECEIVABLE

In general, grants-in-aid are made available to the Corporation through applications and agreements with funding agencies which base their payments upon reimbursement of reported eligible expenses or limitations dictated by their own budget restraints.

Grants receivables consist of the following at June 30, 2023:

Fulfill	$	14,517
Calder Foundation Grant		30,000
Monmouth County		27,200
State of New Jersey		33,276
	$	104,993

NOTE 4 – 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 $5,148. The pledges receivable balance was $117,413 at June 30, 2023.

The pledges are expected to be received as follows:

2024	$	70,095
2025		39,403
2026		14,600
2027		850
		124,948
Less: Provision for Pledges Doubtful of Collections		(5,148)
Less: Present Value Adjustment		(2,387)
	$	117,413

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2023:

Land and Land Improvements	$	332,770
Building and Improvements		4,959,093
Other Furniture and Equipment		772,751
Construction in Progress		40,000
		6,104,614
Less: Accumulated Depreciation		(2,701,280)
	$	3,403,334

Depreciation expense for the year ended June 30, 2023 was $181,075.

NOTE 6 – DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2023:

New Jersey Department of Children and Families	$	188,277
Monmouth County Community Development		20,000
	$	208,277

NOTE 7 – LOANS PAYABLE

The Corporation was indebted to the Diocese of Trenton, New Jersey in the amount of $50,000 as of June 30, 2023. The note is a non-interest bearing unsecured promissory note payable on demand. For the year ended June 30, 2023 no payments were made.

NOTE 8 – ACCRUED EXPENSES

Accrued Expenses consist of the following at June 30, 2023:

Accrued Payroll	$	80,930
Other Accrued Expenses		3,384
	$	84,314

NOTE 9 – FAIR VALUE OF MEASUREMENTS

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the Corporation would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date.

In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in hypothetical transactions that occurs at the measurement date.

NOTE 9 – FAIR VALUE OF MEASUREMENTS (Continued)

Observable inputs reflect market data obtained from independent sources, while observable inputs reflect the Corporation's market assumptions. Preference is given to observable inputs. These three types of inputs create the following fair value hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities at the measurements dates.

- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as unadjusted quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities which reflect the reporting entity's own assumption on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Pooled Separate accounts: Valued at the net asset value (NAV) or equivalent based on a unit of the pooled separate accounts. The NAV, as provided by the broker, is used as a practical expedient to estimate fair value.

Certificate of Deposits, Mutuals, and Security Investments: Valued at the daily closing price are reported from an actively traded exchange.

The following table present the assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

The fair value hierarchy has three levels based on the reliability of the inputs to determine fair value.

	Fair Value Measurement			
Assets	Level 1	Level 2	Level 3	June 30, 2023
Equities Investments	$ 258,332	$ -	$ -	$ 258,332
Fixed Income Investments	253,394	-	-	253,394
Pooled Separate Accounts	-	1,160,357	-	1,160,357
Certificate of Deposit	27,448	-	-	27,448
Total Assets	$ 539,174	$ 1,160,357	$ -	$ 1,699,531

NOTE 9 – FAIR VALUE OF MEASUREMENTS (Continued)

Investment income consists of the following:

Interest and Dividends	$	35,524
Realized Gain on Investments		66,795
Unrealized Gain on Investments		14,593
	$	116,912

The NAV, as provided by the broker, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily. Were the Corporation to initiate a full redemption of the common collective trust, the issuer reserves the right to temporarily delay withdrawal from the brokerage account in order to ensure that securities liquidations will be carried out in an orderly business manner.

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2023.

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Separate Accounts:	$ 1,160,357	$ -	Daily	90-day Limitation

The Corporation is allowed daily withdrawals up to $100,000, and any greater withdrawal amounts are subject to notification requirements and the discretion of the Program Manager. The Corporation is only allowed to withdrawal or transfer no more than 20% of holdings in the 80/20 Sponsored Ministry Fund – pooled separate investment accounts to another Sponsored Ministry Fund within a 90-day period.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2023:

Subject to Expenditure of Specified Purpose		
Youth with A Purposes	$	9,594
Sexual Violence Direct Service – Culturally Specific		18,223
Domestic Violence Direct Service – Culturally Specific Initiative		170,053
Total Net Assets with Donor Restrictions	$	197,870

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors are as follows for the year ended June 30, 2023:

Satisfaction of Purpose Restrictions		
Food Pantry	$	25,000
Technology and School Supplies		12,000
Youth with A Purposes		4,178
Fatherhood Empowerment Program		12,977
Resiliency Program		21,908
Sexual Violence Direct Service – Culturally Specific		76,778
Domestic Violence Direct Service – Culturally Specific Initiative		54,946
Circle of Mercy Campaign		251,778
Total Net Assets Released from Donor Restrictions	$	459,565

NOTE 11 – ENDOWMENT

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 endowed investment is the 80/20 multi-asset mutual fund. 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.

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 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 net assets with donor restrictions - perpetual in nature (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 net assets with donor restrictions - perpetual in nature is classified as net assets without donor restrictions since the interest and dividends are to be used to support general operations in a manner consistent with New Jersey law.

NOTE 11 – ENDOWMENT (Continued)

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 has relied 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 year ended June 30, 2023:

Endowment net assets, beginning of year	$ 50,000
Investment Income	6,666
Spending Allowance	(6,666)
Changes in Net Assets	-
Endowment Net Assets, end of year	$ 50,000

NOTE 12 – 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. The estimate of the amount of compensation for future absences have historically been immaterial, and accordingly, no liability has been recorded in the accompanying financial statements as the Company has a use it or lose it policy. The Corporation's policy is to recognize cost of compensated absences when paid to employees.

NOTE 13 – CONTRIBUTED SERVICES

The Corporation received volunteer tutoring and Mercy Center support services, valued utilizing the average hourly rate of $28.50 for various positions in the Northeastern United States.

Below is a schedule of contributed services at June 30, 2023:

Tutoring at Sisters Academy	$ 24,026
Mercy Center – Family Resource Center Support	19,495
	$ 43,521

NOTE 14 – RELATED PARTY TRANSACTIONS

For the year ended June 30, 2023, there were no payments made to the Sister of Mercy (SOM) for the services of sisters who were assigned to the Corporation.

For the year ended June 30, 2023, the Sisters of Mercy (SOM) donated $40,000 to the Corporation.

NOTE 15 – EMPLOYEE RETIREMENT PLAN

The Company maintains a 401(k) plan that covers all eligible employees who elect to participate in the plan. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”). Eligibility is based on certain age and length of service requirements. The participating employees may contribute up to 15% of eligible compensation up to the maximum amount allowed in the Internal Revenue Code. The Corporation matches 50% of participant contributions up to 3% of elected employee deferrals. As of June 30, 2023, the Corporation made contributions of $14,486 to the plan.

NOTE 16 – LEASES

The Corporation entered into a lease agreement to rent office and administration space. The lease is treated as an operating lease and has a term of four years, with negotiated options to extend the lease. Rent is payable in monthly installments of $2,630 for the first 3 years with a 3% increase in year 4. The Corporation is required to pay for all insurance, real estate taxes, maintenance, utilities, and other costs of occupancy in addition to rent for the leased space. The Corporation accounts these costs as CAM lease components and expense as incurred.

In connection with their operating lease, the Corporation recognized right of use asset of $124,127 and aggregate operating lease liabilities of $124,325 in the statement of financial position as of June 30, 2023. In connection with the adoption of this standard, Mercy Center used a weighted average discount rate of 4.27% in order to calculate the right of use assets and operating lease liabilities. The weighted average remaining lease term in years for this operating lease is 3.33.

Supplemental cash flow information related to leases are as follows as of June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 23,100
Operating lease expense	$ 26,598

Supplemental balance sheet information related to leases as follows as of June 30, 2023:

Balance Sheet Classification	Description of Asset and Liability	
Assets		
Right of Use Asset	Operating Lease ROU Asset	$ 124,127
Liabilities		
Current Liabilities:		
Operating Lease Liabilities	Operating lease liability	35,114
Non-current Liabilities:		
Operating Lease Liabilities	Operating lease liability, net of current portion	89,211

NOTE 16 – LEASES (Continued)

Future minimum lease payments under non-cancellable operating leases (with an initial or remaining lease terms in excess of one year) are as follows:

Year Ending December 31,	
2024	$ 39,600
2025	39,600
2026	40,392
2027	13,596
Total minimum lease payments	133,188
Less: present value adjustment	(8,863)
Present value of lease liabilities	$ 124,325

SUPPLEMENTARY INFORMATION

Focused on the road ahead
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Mercy Center Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mercy Center Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mercy Center Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mercy Center Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Mercy Center Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mercy Center Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

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However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Cg Tax, Audit & Advisory

Tinton Falls, New Jersey
April 24, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, *CIRCULAR LETTER 15-08-OMB*

To the Board of Trustees of
Mercy Center Corporation

Report on Compliance for Each Major State and County Program

Opinion on Each Major State and County Program

We have audited Mercy Center Corporation's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement and New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of Mercy Center Corporation's major state and county programs for the year ended June 30, 2023. Mercy Center Corporation's major state and county programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mercy Center Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state and county programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State and County Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mercy Center Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state and county program. Our audit does not provide a legal determination of Mercy Center Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Mercy Center Corporation's state and county programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mercy Center Corporation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mercy Center Corporation's compliance with the requirements of each major state and county program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Mercy Center Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mercy Center Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mercy Center Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state and county program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state and county program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state and county program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of New Jersey, Department of Treasury, Circular Letter 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Cg Tax, Audit & Advisory

Tinton Falls, New Jersey

April 24, 2024

MERCY CENTER CORPORATION

SCHEDULE OF EXPENDITURES OF STATE AND COUNTY FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

	CFDA	Grant Number	Grant Period	Program Award Amount		2023 Expenditures	Cumulative Expenditures
State Grantor/Program							
New Jersey Department of Children and Families							
Family Resource Center (FRC)	93.556	23BANC	7/1/2022 - 6/30/2023	$ 504,814	<a>	$ 504,814	$ 504,814
Sexual Violence - Prevention and Response Support	93.671	23EQWN	10/1/2021 - 9/30/2022	48,470	<a>	40,424	40,424
Sexual Violence - Prevention and Response Support	93.671	23EQWN	7/1/2022 - 6/30/2023	226,671	<a>	226,671	226,671
Domestic Violence - Prevention and Response Support	16.017	23HGNW.mod1	7/1/2022 - 6/30/2023	267,330	<a>	267,330	267,330
Sexual Assault Service Program	93.671	23FCNW	10/1/2022 - 9/30/2025	225,000	<a>	54,945	54,945
Sexual Violence Direct Service - COVID Support Program	93.497	23KANW	7/1/2022 - 6/30/2025	95,000		76,778	76,778
						1,170,962	1,170,962
New Jersey Department of Human Services							
SNAP - Outreach Program	10.561	FB23006	10/1/2022 - 9/30/2023	51,873	<a>	28,139	28,139
VOCA - Community Victims Advocacy Program	-	VAF-34-19	9/1/2022 - 8/31/2023	120,443		120,443	120,443
						148,582	148,582
Total Expenditures of State Financial Assistance						$ 1,319,544	$ 1,319,544
County Grantor/Program							
Community Development Block Grant - City of Asbury Park	-	-	7/1/2022 - 12/31/2023	$ 31,449		$ 31,449	$ 31,449
Emergency Food and Shelter Program	97.024	600400-036	11/1/2021 - 4/30/2023	24,000	<a>	24,000	24,000
Emergency Food and Shelter Program	97.024	600400-036	11/1/2021 - 4/30/2023	5,106	<a>	5,107	5,107
Monmouth County - COVID Grant	21.027	-	3/18/2022 - 12/31/2022	500,000	<a>	500,000	500,000
						560,556	560,556
Total Expenditures of County Financial Assistance						$ 560,556	$ 560,556
Total Expenditures of Federal Awards and State and County Financial Assistance						$ 1,880,100	$ 1,880,100

<a> Current Year expenditures includes the following federal pass-through funds

Family Resource Center -FRC (271 - FRC)	93.556	7/1/22 - 6/30/23	$ 440,877
SNAP - Outreach Program	10.561	10/1/22 - 9/30/23	28,139
Sexual Violence - Prevention and Response Support	93.671	10/1/2021 - 9/30/2022	40,424
Sexual Violence - Prevention and Response Support	93.671	7/1/22 - 6/30/2023	51,548
Domestic Violence - Prevention and Response Support	16.017	7/1/22 - 6/30/2023	92,207
Sexual Assault Service Program	93.671	10/01/22-9/30/25	54,945
Emergency Food and Shelter Program	97.024	11/1/21 - 4/30/23	24,000
Emergency Food and Shelter Program	97.024	11/1/21 - 4/30/23	5,107
Monmouth County - COVID Grant	21.027	3/18/2022 - 12/31/2022	500,000

See Accompanying Notes to Schedule of Expenditures of State and County Financial Assistance and Independent Auditor's Report

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AND COUNTY FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of state and county financial assistance (the "Schedule") includes the state and county grant activity of Mercy Center Corporation under programs of the state and county government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the *State of New Jersey, Department of Treasury, Circular Letter 15-08-OMB*. Because the Schedule presents only a selected portion of the operations of Mercy Center Corporation., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mercy Center Corporation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the State of New Jersey, Department of Treasury, *Circular Letter 15-08-OMB*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Mercy Center Corporation has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance during the year ended June 30, 2023.

MERCY CENTER CORPORATION

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

The auditor's report expressed an unmodified opinion on the financial statements of Mercy Center Corporation.

Internal Control Over Financial Reporting:

Material weakness identified?	____ Yes	_X_ No
Significant deficiency identified?	____ Yes	_X_ None Reported
Noncompliance material to financial statements noted?	____ Yes	_X_ No

State and County Financial Assistance

Internal Control Over Major State and County Programs:

Material weakness identified?	____ Yes	_X_ No
Significant deficiency identified?	____ Yes	_X_ None Reported

The auditor's report on compliance for major state and county awards expresses an unmodified opinion on all major state and county programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	_X_ No

Identification of Major State or County Programs:

Grant Number	Name of Program
23BANC	Family Resource Center (FRC) - 271
21.027	Monmouth County – COVID Grant

MERCY CENTER CORPORATION

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS (Continued)

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as a low-risk auditee?	____ Yes _X_ No

SECTION II – FINANCIAL STATEMENT FINDINGS

The results of our audits disclosed no instances of reportable conditions, material weaknesses, or instances of noncompliance with the basic financial statements in accordance with *Government Auditing Standards.*

SECTION III – STATE AND COUNTY FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

The results of our audits disclosed no instances of reportable conditions, material weaknesses, or instances of noncompliance in accordance related to the audit of state and programs, as required by the State of New Jersey, Department of Treasury, *Circular Letter 15-08-OMB*.