

ST. MARY'S SERVICES
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019



**St. Mary's
Services**

Contents

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7



Independent Auditor's Report

To the Board of Trustees of
St. Mary's Services
Palatine, Illinois

We have audited the accompanying financial statements of St. Mary's Services (an Illinois nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Mary's Services as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited St. Mary's Services 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

M. Clure, Inserra & Co., Ltd.

October 31, 2019

Financial Statements

ST. MARY'S SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

	<u>ASSETS</u>	
	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 57,314	\$ 323,825
Investment Securities	2,856,857	2,565,927
Accounts Receivable	18,511	31,654
Prepaid Expenses	7,556	17,169
Total Current Assets	2,940,238	2,938,575
PROPERTY AND EQUIPMENT, NET		
Land	62,478	62,478
Building and Improvements	317,003	317,003
Furniture and Equipment	37,292	37,292
Website	7,088	-
	423,861	416,773
Less Accumulated Depreciation and Amortization	45,507	27,492
Total Property and Equipment, net	378,354	389,281
OTHER ASSETS		
Beneficial Interest in Perpetual Trusts Held by Others	2,950,804	2,154,949
Investment Securities, Restricted for Endowments	581,840	581,840
	3,532,644	2,736,789
Total Assets	\$ 6,851,236	\$ 6,064,645
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 43,700	\$ 36,207
Current Liabilities	43,700	36,207
NONCURRENT LIABILITIES	-	-
Total Liabilities	43,700	36,207
NET ASSETS		
Net Assets Without Donor Restrictions		
Undesignated	3,127,252	3,144,009
Designated	147,640	147,640
Total Unrestricted	3,274,892	3,291,649
Net Assets With Donor Restrictions	3,532,644	2,736,789
Total Net Assets	6,807,536	6,028,438
Total Liabilities and Net Assets	\$ 6,851,236	\$ 6,064,645

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

Financial Statements

ST. MARY'S SERVICES

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
REVENUES, GAINS AND OTHER SUPPORT				
Contributions (\$36,994 In-Kind for 2019)	\$ 183,815	\$ -	\$ 183,815	\$ 185,998
Grants	28,400	-	28,400	38,432
Adoptive Program Fees	188,470	-	188,470	231,453
Educational Initiative Fees	47,801	-	47,801	47,801
Change in Value of Perpetual Trusts	-	795,855	795,855	82,537
Investment Income from Perpetual Trusts	62,344	-	62,344	46,040
Investment Return, net	180,070	-	180,070	228,189
Loss on Disposal of Capital Assets	-	-	-	(1,433)
Other	77	-	77	3,159
Total Revenues, Gains and Other Support	690,977	795,855	1,486,832	862,176
EXPENSES				
Maternity Program	224,655	-	224,655	132,660
Adoptive Program	102,893	-	102,893	78,611
Educational Initiative	112,833	-	112,833	235,212
Management and General	151,095	-	151,095	161,552
Fundraising	116,258	-	116,258	176,483
Total Expenses	707,734	-	707,734	784,518
CHANGE IN NET ASSETS	(16,757)	795,855	779,098	77,658
Release of Donor Restrictions	-	-	-	-
NET ASSETS, BEGINNING OF THE YEAR	3,291,649	2,736,789	6,028,438	5,950,780
NET ASSETS, END OF THE YEAR	\$ 3,274,892	\$ 3,532,644	\$ 6,807,536	\$ 6,028,438

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

Financial Statements

ST. MARY'S SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	Program Services				Supporting Services			Total	
	Maternity Program	Adoption Initiative	Education Program	Total	Management and General	Fundraising	Total	2019	2018
Salaries	\$ 108,124	\$ 53,197	\$ 43,022	\$ 204,343	\$ 81,298	\$ 39,322	\$ 120,620	\$ 324,963	\$ 328,948
Social Worker (In-Kind)	8,769	-	26,305	35,074	-	-	-	35,074	16,500
Employee benefits	19,227	9,684	8,408	37,319	17,528	5,698	23,226	60,545	49,666
Payroll taxes	8,444	4,082	3,828	16,354	6,226	3,315	9,541	25,895	30,708
Total personnel	144,564	66,963	81,563	293,090	105,052	48,335	153,387	446,477	425,822
Accounting and Auditing	378	234	222	834	10,643	138	10,781	11,615	13,018
Advertising and marketing	26,670	4,790	3,007	34,467	3,089	2,417	5,506	39,973	87,871
Service charges	81	602	43	726	68	3,153	3,221	3,947	4,159
Computer	1,759	1,089	1,033	3,881	1,867	642	2,509	6,390	8,672
Consultation--non-medical	-	-	-	-	-	-	-	-	1,000
Depreciation and amortization	5,674	3,513	3,333	12,520	3,422	2,072	5,494	18,014	8,736
Education	837	1,359	1,513	3,709	1,679	-	1,679	5,388	7,291
Insurance	4,515	2,745	2,639	9,899	2,702	1,650	4,352	14,251	14,278
Equipment rental	3,607	2,233	2,118	7,958	2,176	1,317	3,493	11,451	1,080
Occupancy (In-Kind \$1,920)	21,646	12,376	11,744	45,766	13,978	7,298	21,276	67,042	57,785
Legal	1,571	297	281	2,149	289	175	464	2,613	9,050
Contractual services	479	297	282	1,058	289	175	464	1,522	1,501
Outreach	571	389	377	1,337	281	225	506	1,843	1,881
Postage and delivery	461	324	206	991	242	491	733	1,724	1,640
Purchased services									
Medical	1,019	-	-	1,019	-	-	-	1,019	6,005
Nonmedical	2,957	-	-	2,957	-	-	-	2,957	7,967
Supplies	631	316	408	1,355	1,530	214	1,744	3,099	3,227
Moving and Permits	53	33	31	117	38	20	58	175	8,758
Telephone	4,071	2,441	2,609	9,121	2,129	902	3,031	12,152	10,977
Temporary help	-	-	-	-	40	7,541	7,581	7,581	42,000
Transportation	2,829	1,355	1,297	5,481	440	338	778	6,259	6,856
Special events	-	-	-	-	-	39,076	39,076	39,076	50,147
Miscellaneous expenses	282	1,537	127	1,946	1,141	79	1,220	3,166	4,797
Total expenses	\$ 224,655	\$ 102,893	\$ 112,833	\$ 440,381	\$ 151,095	\$ 116,258	\$ 267,353	\$ 707,734	\$ 784,518

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

Financial Statements

ST MARY'S SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 779,098	\$ 77,658
Adjustments to Reconcile Change in Net Assets to		
Cash Used in Operating Activities:		
Depreciation and Amortization	18,014	8,736
Change in Value of Perpetual Trusts Held by Others	(795,855)	(82,537)
Investment income, net	(180,070)	(175,651)
Other Decrease in Investments	13,864	-
Loss on Disposal of Capital Assets	-	1,433
(Increase) Decrease in Accounts Receivable	13,143	(18,146)
(Increase) Decrease in Prepaid and Other Assets	9,613	(4,049)
Increase (Decrease) in Accounts Payable and		
Other Accruals	7,493	24,154
Increase (Decrease) in Deferred Rent Liability	-	(3,469)
	<u>(134,700)</u>	<u>(171,871)</u>
Net Cash Used in Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(7,088)	(386,602)
Proceeds from Sale and Maturities of Investments	3,207,846	767,420
Purchase of Investments	<u>(3,332,569)</u>	<u>(249,393)</u>
	<u>(131,811)</u>	<u>131,425</u>
Net Cash Provided by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(266,511)	(40,446)
Cash and Cash Equivalents, Beginning of Year	<u>323,825</u>	<u>364,271</u>
Cash and Cash Equivalents, End of Year	<u>\$ 57,314</u>	<u>\$ 323,825</u>
Income Taxes Paid during the Year	<u>\$ -</u>	<u>\$ -</u>
Interest Paid during the Year	<u>\$ -</u>	<u>\$ -</u>

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

Note 1: Summary of Significant Accounting Policies

This summary of significant accounting policies of St. Mary's Services (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

A. Nature of Organization Activities

St. Mary's Services is a nonprofit charitable corporation, founded in 1887, providing many services related to maternity, adoption and postpartum parents. Among its major programs are adoption services, maternity programs to pregnant adolescents and women, including counseling, and financial assistance as needed, consulting and education services including pre-adoptive parent preparation classes for prospective parents. Recently, St. Mary's has added counseling services related to: perinatal mood disorders, postpartum depression and anxiety, grief, loss of pregnancy and adjustment to motherhood.

B. Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to two classes of net assets, those without donor restrictions and those with donor restrictions.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that must be maintained by the Organization until the restriction is satisfied, or in perpetuity. The donors of these assets permit St. Mary's to use all or part of the income earned on related investments for unrestricted purposes.

Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

C. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of amounts in demand deposit accounts.

D. Investments

Investments are stated at fair market value primarily based on quoted market prices. Investment income is recorded on the accrual basis; purchases and sales of investments are reflected on a trade-date basis. Unrealized gains or losses are based on the change in market value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the change in market value of the assets from the date acquired to the date of sale.

All of the income, as defined by the perpetual trusts, is paid out in quarterly installments to St. Mary's. Income from the St. Mary's controlled investments is withdrawn as needed to cover operating expenses.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

The Organization invests in various investment securities. Investment securities in general are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level or risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

E. Permanent Donor Restricted Funds Investment Policy

The investment objective of St. Mary's Services is to generate an annual total rate of return for the funds sufficient to produce the following results:

1. Finance distributions (and cover related operational expenses of the Endowment) of 4-6% of the average market value of the Endowment over a three year moving average period, as agreed upon by the Trustees;
2. Inclusive of the above, grow the value of the corpus of the Endowment annually by at least the annual rate of inflation (CPI) for that year; and
3. Inclusive of 1 and 2, cause the real value of the Endowment to increase.

The above financial results should be sought without incurring a level of rate-of-return volatility materially greater than that generally associated with endowment investment programs. These results if not attainable in any given year, should be achieved on average over long periods of time to the extent allowed by returns in the broad markets. The earnings of the permanently restricted funds is for the unrestricted use of the Organization.

F. Accounts Receivable

Receivables are valued at management's estimate of the amount that will ultimately be collected. Write-offs of uncollectible balances are reported at such times that collectability is determined unlikely. Management believes that all receivables are collectible; consequently, no reserve for uncollectible accounts has been recorded.

G. Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. The Organization's capitalization policy is currently \$3,000 (\$500 in years ended before July 1, 2016). Depreciation is calculated based on estimated useful lives of the assets and amortization of leasehold improvements is provided over the shorter of their useful life or the remaining lease term using the straight-line method.

Building and Improvements	5-25 years
Furniture and equipment	3-7 years
Website	3 years

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

H. Contributions

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give with due dates extending beyond one year are discounted. Donor restricted contributions are reported as increases in the donor restricted funds. When a restriction is satisfied, restricted net assets are reclassified to unrestricted net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

I. Beneficial Interest in Perpetual Trusts Held by Others

The Organization is the beneficiary of perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Organization has the irrevocable right to receive the income earned on the trust assets in perpetuity. The fair value of the beneficial interest in the trust is recognized as an asset and as a donor restricted contribution at the date the trust is established. The Organization's estimate of fair value is based on fair value information received from the trustees. The trust assets consist of, but are not limited to, cash and cash equivalents, equity and fixed income securities. These assets are not subject to the control or direction of the Organization. Gains and losses, which are not distributed by the trusts, are reflected as change in value of perpetual trusts held by others in the statement of activities and changes in net assets. Income from these trusts is distributed quarterly to St. Mary's and is unrestricted as to use.

J. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. If evident from the type of expense it is charged directly to the program or supporting service. Other costs are allocated based on the salaries of employees working in each program or supporting services. Some employees' time were spread among multiple programs and supporting services.

K. Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$39,973.

L. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The

Note 1: Summary of Significant Accounting Policies (Continued)

Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before the tax year ended June 30, 2016.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

N. Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or by functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Note 2: Investments and Fair Value Measurement

Generally accepted accounting principles provide a uniform framework for the definition, measurement and disclosure of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such accounting guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset'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. There were no changes to valuation methodologies at June 30, 2019.

St. Mary's investments in mutual funds are valued based on quoted market prices and are categorized in Level 1 of the investment hierarchy.

Notes to Financial Statements

Note 2: Investments and Fair Value Measurement (Continued)

Fair values of assets measured on a recurring basis at June 30, 2019 is as follows:

		Fair Value Measurements at Reporting Date Using			
			Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value			
June 30, 2019					
Mutual Funds	\$	3,438,697	\$	3,438,697	\$ -
				\$ -	\$ -

Of the \$3,438,697 of St. Mary's investments, \$581,840 represents funds permanently restricted by donors as endowments and the remaining \$2,856,857 is unrestricted for the Organization's charitable purposes.

Note 3: Perpetual Trusts Held by Others

The Organization is the beneficiary of two perpetual trusts that are administered by trustees outside the Organization. Although the assets of these trusts are not in its possession, the Organization will receive the income earned on trust assets in perpetuity. The Organization's interest in each trust is as follows:

	Percent Interest
Calvin B. Beach	50%
Bishop of Chicago	Less than 5%

The Organization's share of the assets held in these trusts at June 30, 2019 is as follows:

Calvin B. Beach	\$2,871,512
Bishop of Chicago	79,292
	<u>\$2,950,804</u>

Notes to Financial Statements

Note 3: Perpetual Trusts Held by Others (Continued)

The investments held in the perpetual trusts, which are Level 1 assets (see Note 2), as reported by the trustees, consisted of the following at June 30, 2019:

Cash and short-term investments	\$ 28,186
Fixed income securities	1,110,025
Equity securities	1,490,441
Commodity funds	144,964
Real estate funds	97,896
Other	<u>79,292</u>
Total Perpetual Trust Investments	<u>\$ 2,950,804</u>

Income from these trusts, paid directly to St. Mary's in quarterly payments, totaled \$62,344. This income is unrestricted.

Note 4: Restrictions and Limitations on Net Assets

St. Mary's donor restricted funds consist of various funds established for promoting child welfare and the operation of the Organization. These funds are permanently restricted by donors. St. Mary's invests its restricted funds in broadly diversified portfolios of equity and fixed income funds to maximize total return consistent with prudent risk limitations. Income from the restricted funds is unrestricted in accordance with the donor's wishes and the board's instructions.

Permanently restricted net assets at June 30, 2019 consist of the following:

Restricted Funds	
George D. and Isabella Brown Fund	\$ 540,629
Thomas D. Lowther Trust	16,789
Scholarship Fund	<u>24,422</u>
	<u>581,840</u>
Beneficial Interest In Perpetual trusts Held by Others	
Calvin B. Beach	2,871,512
Bishop of Chicago	<u>79,292</u>
	<u>2,950,804</u>
	<u>\$ 3,532,644</u>

Notes to Financial Statements

Note 4: Restrictions and Limitations on Net Assets (Continued)

Permanently Restricted Net Assets Activity

	Endowment Funds	Perpetual Trusts
June 30, 2018 balances	\$ 581,840	\$ 2,154,949
Investment return, net	31,877	62,344
Contributions	-	-
Amounts appropriated for expenditure	(31,877)	(62,344)
Reclassification of funds to unrestricted	-	-
Change in value	-	795,855
June 30, 2019 balances	<u>\$ 581,840</u>	<u>\$ 2,950,804</u>

Board designated net assets are those funds set aside by the board for a specific purpose or so that the balance of the original donation can be tracked. Board designated net assets at June 30, 2019 consist of the following:

Scholarship Fund	\$ 81,857
Maria Arbeen Memorial Fund	<u>65,783</u>
	<u>\$ 147,640</u>

There have been no additions to, or disbursements of corpus from, these funds during the year ended June 30, 2019.

Note 5: Equipment Lease

The organization has entered into an operating lease for the use of an imaging system. Rent expense for copiers for the year end June 30, 2019 were \$8,250. Future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	
2020	\$ 8,694
2021	8,694
2022	8,694
2023	8,694
2024	<u>8,694</u>
	<u>\$ 43,470</u>

Note 6: Contributed Goods and Services

For the year ended June 30, 2019, the Organization received in-kind contributions totaling \$36,994. The majority of the in-kind contributions were for a licensed social worker, which has been valued at \$35,074.

Note 7: Defined Contribution Pension Plan

In September 2017 the board voted to establish a Simple IRA plan, to be offered to full-time employees that have been employed one year or longer. St. Mary's will match the employee's contribution equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. Employees may choose among various mutual funds to contribute to. The employees can change their contribution amounts quarterly. For the year ended June 30, 2019, St. Mary's contributed \$5,734 on behalf of its employees.

Note 8: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.