

St. Vincent and Sarah Fisher Center

**Financial Statements
December 31, 2018**

St. Vincent and Sarah Fisher Center
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December 31, 2018

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Independent Auditors' Report

To the Board of Trustees
St. Vincent and Sarah Fisher Center
Detroit, Michigan

We have audited the accompanying financial statements of St. Vincent and Sarah Fisher Center (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Vincent and Sarah Fisher Center as of December 31, 2018, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Cole, Newton & Duran
Livonia, Michigan
September 17, 2019

**St. Vincent and Sarah Fisher Center
Statement of Financial Position
December 31, 2018**

ASSETS

CURRENT ASSETS

Cash	\$ 296,464
Interest receivable	5,639
Accounts receivable	2,186
Prepaid expenses	64,833

Total Current Assets \$ 369,122

FIXED ASSETS, NET OF

ACCUMULATED DEPRECIATION 8,283

OTHER ASSETS

Investments 7,118,407

Total Assets \$ 7,495,812

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 3,537
Accrued expenses	61,963

Total Current Liabilities \$ 65,500

NET ASSETS

Without donor restrictions	7,428,709
With donor restrictions	1,603

Total Net Assets 7,430,312

Total Liabilities and Net Assets \$ 7,495,812

St. Vincent and Sarah Fisher Center
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
SUPPORT AND REVENUE			
Contributions	\$ 227,387	\$ -	\$ 227,387
Grants and contracts	154,157	-	154,157
Subtotal	381,544	-	381,544
Net assets released from restrictions	3,189	(3,189)	-
Total Support and Revenue	<u>384,733</u>	<u>(3,189)</u>	<u>381,544</u>
FUNCTIONAL EXPENSES			
Program	1,093,621	-	1,093,621
Management and general	53,271	-	53,271
Fundraising	113,847	-	113,847
Total Expenses	<u>1,260,739</u>	<u>-</u>	<u>1,260,739</u>
Changes in Net Assets from Operations	(876,006)	(3,189)	(879,195)
Investment income (loss)	<u>(405,609)</u>	<u>-</u>	<u>(405,609)</u>
Increase (Decrease) in Net Assets	(1,281,615)	(3,189)	(1,284,804)
Net Assets at Beginning of Year	<u>8,710,324</u>	<u>4,792</u>	<u>8,715,116</u>
Net Assets at End of Year	<u>\$ 7,428,709</u>	<u>\$ 1,603</u>	<u>\$ 7,430,312</u>

See Notes to the Financial Statements

**St. Vincent and Sarah Fisher Center
Statement of Functional Expenses
For the Year Ended December 31, 2018**

	Child Services	Adult Services	Total Program Services	Management and General	Fundraising	Totals
Salaries and wages	\$ 190,060	\$ 460,715	\$ 650,775	\$ 31,253	\$ 46,311	\$ 728,339
Employee health benefits	37,582	54,944	92,526	3,322	998	96,846
Employee retirement benefits	7,195	17,135	24,330	1,508	410	26,248
Payroll taxes and workers' compensation	14,864	34,955	49,819	5,248	894	55,961
Total Salaries and Related Expenses	249,701	567,749	817,450	41,331	48,613	907,394
Occupancy	52,357	39,077	91,434	2,346	3,565	97,345
Supplies	17,837	14,934	32,771	1,568	9,421	43,760
Professional fees	33,721	46,242	79,963	4,794	36,705	121,462
Local transportation	5,522	7,450	12,972	266	296	13,534
Telephone	3,315	8,089	11,404	1,092	696	13,192
Specific assistance to individuals	1,744	19,987	21,731	-	-	21,731
Subscriptions and publications	226	523	749	10	58	817
Conferences, conventions and meetings	408	645	1,053	202	268	1,523
Membership fees	538	489	1,027	-	390	1,417
Postage and shipping	262	388	650	30	5,002	5,682
Bonds and insurance	6,827	14,181	21,008	936	1,463	23,407
Outside printing	-	-	-	-	6,333	6,333
Miscellaneous	371	54	425	343	1,037	1,805
Depreciation	452	532	984	353	-	1,337
Total Expenses	\$ 373,281	\$ 720,340	\$ 1,093,621	\$ 53,271	\$ 113,847	\$ 1,260,739

See Notes to the Financial Statements

**St. Vincent and Sarah Fisher Center
Statement of Cash Flows
For the Year Ended December 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$(1,284,804)	
Adjustments to reconcile net assets to net cash from operating activities:		
(Gains) losses on investments	517,177	
Depreciation	1,337	
(Increase) decrease in assets:		
Interest receivable	(2,529)	
Accounts receivable	15,664	
Prepaid expenses	(8,475)	
Increase (decrease) in liabilities:		
Accounts payable	(9,294)	
Accrued expenses	5,849	
	5,849	
Net Cash Provided By (Used In) Operating Activities		\$ (765,075)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	1,963,694	
Purchase of investments	(1,141,487)	
Purchase of equipment	(7,055)	
	(7,055)	
Net Cash Provided By (Used In) Investing Activities		815,152

Net Increase (Decrease) in Cash and Cash Equivalents 50,077

Cash and Cash Equivalents at Beginning of Year 246,387

Cash and Cash Equivalents at End of Year \$ 296,464

Supplemental disclosure:

Cash paid for interest	\$ -	
Cash paid for income taxes	\$ -	
	-	

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2018

NOTE 1 – Nature of Activities

The St. Vincent and Sarah Fisher Center (the Center) is a nonprofit entity whose mission is to provide education and skill development opportunities for at-risk children and families in the City of Detroit. The Center derives its revenue primarily from contributions and investment income.

NOTE 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation – Financial statement presentation follows the requirements of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Center is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions consist of resources that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions consist of resources of which the use by the Center is limited by donor-imposed stipulations.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair value of financial instruments – FASB guidance on fair value measurement defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash, cash equivalents, receivables, prepaids, accounts payable, and accrued liabilities approximate fair value due to the short-term maturity of these instruments.

Cash and cash equivalents – Cash and cash equivalents are defined as cash on hand and demand deposits in banks, plus short-term investments that are readily convertible to cash, as well as investments with original maturities of three months or less. However, short-term investments with maturities at the date of purchase of three months or less, which are subject to investment management direction, are treated as investments rather than cash.

Accounts receivable – The Center currently provides all services free of charge. The Center occasionally records receivables from grants or other activities. Management is of the opinion that all receivables will be collected and as a result, there is no allowance for bad debt.

Furniture and equipment – All furniture and equipment expenditures over \$1,000 are capitalized at cost if purchased, or at the approximate fair value on the date of the donation if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Furniture and equipment purchased with donor restricted funds are released from restriction as depreciation is recognized over the estimated useful lives of the assets. Expenditures for normal repairs and maintenance are charged to expense as incurred.

Investments – Investments are reported at their fair values in the statement of financial position in accordance with Not-for-Profit Entities Topic of the FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investment income, including unrealized gains and losses, are included in the statement of activities and changes in net assets as unrestricted investment income, unless the income is restricted by donor stipulations.

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (continued)

Contributions – All contributions are considered available for unrestricted use unless specifically restricted by the donor. All donations are recorded at fair value when received. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are reported as unrestricted support. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are classified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. The Center, on occasion, is the beneficiary under various wills, the amounts of which cannot be estimated. The Center's share of such bequests is recorded when the proceeds are determinable.

In-kind donations of materials are recorded as both contributions and expenditures at fair value when received. During the year ended December 31, 2018, in-kind donations totaled \$24,055.

Grants and contracts – The Center receives funding under grants and contracts from local government and other public grantors, for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

Revenue from grants and contracts is recognized only when funds are utilized by the Center to carry out the activity stipulated in the grant or contract agreement.

Donated services – A substantial number of volunteers have donated significant amounts of time to the Center's program services. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under the Not-for-Profit Entities Topic of the FASB ASC.

Statement of functional expenses – The Center presents their expenses by functional classification, which shows the amount spent for program-related activities. Expenses that can be identified with a specific program are charged directly to that program. Program expenses that cannot be identified with a specific program require allocation on a reasonable basis that is consistently applied. Expenses that are allocated are salaries and benefits which are allocated on the basis of estimates of time and effort, occupancy and depreciation which are allocated based on square footage, as well as supplies which are allocated by headcounts of the students, volunteers, and staff that use them. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Center.

Tax status – The Center is exempt from federal income taxes under §501(c)(3) of the U.S. Internal Revenue Code. The Internal Revenue Service has classified the Center as an organization that is not a private foundation. The Center is no longer subject to U.S. federal tax examinations by tax authorities for years before 2015. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded it has no uncertain tax positions.

Subsequent events – Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

New Accounting Pronouncements – During 2018, the Center adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profits Entities* (ASU 2016-14). ASU 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. The guidance also expands the quantitative and qualitative disclosures regarding liquidity and the availability of resources and requires expenses to be reported by both their natural and functional classification.

The FASB issued ASU No. 2016-02, *Leases* (Topic 842), providing guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing important information about leasing agreements. This ASU is effective for the year ending December 31, 2020.

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (continued)

The FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. This ASU is intended to clarify and improve the scope and accounting guidance for contributions received and contributions made. This ASU is effective for the year ending December 31, 2019.

NOTE 3 – Concentration of Credit Risk and Contingencies

Cash – The Center maintains its cash balances in several banks located in southeastern Michigan. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in any one bank. At times during the year, balances on deposit in any one bank may exceed the insured amount. There were no uninsured balances at December 31, 2018. The Center has not experienced any losses with respect to uninsured cash balances.

Investments – Funds held in brokerage accounts are not covered by the FDIC, but are covered by the Securities Investor Protection Corporation (SIPC), which insures certain claims up to \$500,000, including a \$250,000 limit for cash. Uninsured balances in brokerage accounts at the year ended December 31, 2018, was \$6,618,407. The Center has not experienced any losses with respect to uninsured deposits.

Revenue – The Center receives a portion of its revenues from certain government grants that may be subject to audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to the government entity. Until the reported costs have been audited and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

NOTE 4 – Property and Equipment

At the year ended December 31, 2018, furniture and equipment consisted of the following:

Furniture and office equipment	\$ 13,460
Automotive equipment	43,605
	<u>57,065</u>
Less accumulated depreciation	48,782
Net furniture and equipment	<u>\$ 8,283</u>

Depreciation expense for the year ended December 31, 2018 is \$1,337.

NOTE 5 – Investments

Investments consisted of the following for the year ended December 31, 2018:

	<u>Cost</u>	<u>FMV</u>
Cash and money market funds	\$ 188,055	\$ 188,055
Fixed income	2,283,289	2,236,096
Equities	<u>4,031,770</u>	<u>4,694,256</u>
	<u>\$ 6,503,114</u>	<u>\$ 7,118,407</u>

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2018

NOTE 5 – Investments (continued)

Investment income (loss) for the year ended December 31, 2018, is as follows:

Interest and dividends	\$ 156,926
Realized gains (losses)	705,139
Unrealized gains (losses)	(1,222,316)
Investment fees	<u>(45,358)</u>
	<u>\$ (405,609)</u>

Investment Risks – Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values in the near term could materially affect the amounts reported in the accompanying financial statements.

NOTE 6 – Employee Benefit Plan

The Center maintains a Safe Harbor 401(k) (the 401(k) plan), which covers substantially all employees. The Center matches one half of employee contributions to the 401(k) plan, up to 5% of the employee's wages. The Center also contributes 3% of each participating employee's wages to the Plan. The total contributions charged to expense during the year ended December 31, 2018, was \$26,248.

NOTE 7 – Commitments

Building – The Center leases space under an operating lease agreement which expires June 2020. Monthly lease payments are \$6,050, which includes monthly utilities of \$350. The Center is responsible for maintenance of the lawn and landscaping, the cost of which will be shared with the landlord 50/50. Rent expense for the year ended December 31, 2018, was \$72,600.

Equipment – The Center leases a copier under an operating lease agreement which expires September 2019. Monthly payments are \$336. Rent expense for this copier was \$4,032 for the year ended December 31, 2018.

NOTE 8 – Fair Value Measurements

The Center's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Fair Value Measurement inputs consist of unadjusted quoted prices in active markets for identical, actual assets or liabilities and have the highest priority.

Level 2 Fair Value Measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

**St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2018**

NOTE 8 – Fair Value Measurements (continued)

Level 2 inputs may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are quoted at prices that are not immediately current, or when price quotations vary substantially either over time or among market makers; for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Level 3 Fair Value Measurement inputs are unobservable inputs for the asset. Unobservable inputs will be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Council's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

As of December 31, 2018, management considers all investments of the Center to be Level 1 in the fair value hierarchy. During the year ended December 31, 2018, there were no transfers between levels.

NOTE 9 – Conditional Grant

Conditional promises to give are not recognized in the financial statements until the donor stipulated conditions are substantially met. The Center was the recipient of a conditional promise to give totaling \$100,000 during the year ended December 31, 2018. During the year ended December 31, 2018, the Center recognized contributions of \$0 related to this promise.

NOTE 10 – Donor Restrictions on Net Assets

As of December 31, 2018, donor restricted net assets were restricted as follows:

Family Outreach	\$ 627
Other activities	976
	<hr/>
	\$ 1,603
	<hr/> <hr/>

During the year ended December 31, 2018, the Center expended the following net assets in accordance with donor restrictions:

Sarah Fisher Auxilary	\$ 1,614
Volunteers	1,575
	<hr/>
	\$ 3,189
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St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2018

NOTE 11 – Board Designated Net Assets

Board Designated Net Assets

The Board of Trustees has designated funds to be used, generally in unusual or emergency circumstances, to fund necessary operations (operating reserve). The amount designated as of December 31, 2018, was \$2,821,899.

Board Designated Endowment

The Board of Trustees has designated funds for endowment in the amount of \$1,941,489. FASB ASC Topic 948-205 provides guidance about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds). While not donor-restricted, the board of trustees intends the funds to be held in perpetuity and manages them accordingly.

Board designated endowment fund activities for 2018, are as follows:

Investment return	
Investment income	\$ 187,475
Net appreciation (depreciation)	<u>(280,583)</u>
Total investment return	(93,108)
Amount designated for endowment fund	<u>93,108</u>
Total change in endowment funds	<u><u>\$ -</u></u>

Endowment Investment and Spending Policies

The board of trustees has adopted investment and spending policies for endowment assets (and all its investments) so that a maximum total rate of return will be realized given a level of risk consistent with the preservation of capital and anticipated future cash flow requirements. The objectives of this policy are to be accomplished utilizing a balanced strategy of equities, fixed income securities, and cash equivalents in a mix which is conducive to participation in rising markets while allowing for adequate protection in falling markets.

Recommended portfolio asset allocation is as follows:

Equity Investments	55%
Fixed Income	40%
Cash	5%

The portfolio is diversified among economic sectors. The Center's investment policy recommends that no industry accounts for more than 20% and no issue accounts for more than 5% of the equity portfolio. In addition, the policy recommends that no issue accounts for more than 5% of the fixed income portfolio, with the exception of U.S. Treasury and government agency securities.

Continuous portfolio management is facilitated by the investment manager and monitored by the investment committee.

The spending policy is based on a formal annual budget approved by the board of trustees. As the Center does not charge for its services, and has limited revenue from contributions, it depends on investment earnings to provide a predictable stream of funding for its programs.

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2018

NOTE 12 – Liquidity and Availability of Financial Assets

The following reflects the Center's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year.

Financial assets at year-end		\$ 7,495,812
Less those unavailable for general expenditure within one year		
Donor restricted net assets	\$ 1,603	
Net property and equipment	8,283	
Board designated endowment	1,941,489	
Board designated operating reserve	<u>2,821,899</u>	
		<u>4,773,274</u>
Financial assets available to meet cash needs for general expenditure within one year		<u>\$ 2,722,538</u>

As part of the Center's liquidity management, it invests cash in excess of daily requirements in equities, mutual funds, and cash equivalents.

In addition to the financial assets and other resources available for general expenditure within one year, the Center has board-designated endowment net assets without donor restrictions of \$1,941,489 that, while the Center does not intend to spend, the amounts could be made available for current operations, with Board approval. Furthermore, an operating reserve of \$2,821,899 was established which requires board approval to access funds.