

MARY'S PENCE

Financial Statements

June 30, 2020



Mary's Pence

Funding Women. Changing Lives.

MARY'S PENCE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mary's Pence
Saint Paul, Minnesota

We have audited the accompanying financial statements of Mary's Pence which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mary's Pence as of June 30, 2020 and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Mary's Pence's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 9, 2020

Akins Henke and Company

MARY'S PENCE
Statements of Financial Position
June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 147,811	84,124
Prepaid expense	21,083	21,494
Total Current Assets	<u>168,894</u>	<u>105,618</u>
Website, net	552	7,186
Investments	440,295	559,063
Security deposit	1,600	1,600
Total Assets	<u>\$ 611,341</u>	<u>673,467</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 16,843	5,715
Accrued compensation	8,437	10,782
Payroll Protection Program loan	21,598	-
Total Current Liabilities	<u>46,878</u>	<u>16,497</u>
Payroll Protection Program loan	27,502	-
Promissory note	20,000	20,000
Total Liabilities	<u>94,380</u>	<u>36,497</u>
Net Assets:		
Without donor restrictions:		
Undesignated	153,454	61,484
Board designated	363,507	575,486
Total Net Assets	<u>516,961</u>	<u>636,970</u>
Total Liabilities and Net Assets	<u>\$ 611,341</u>	<u>673,467</u>

See accompanying notes to the financial statements.

MARY'S PENCE
Statement of Activities
For the Year Ended June 30, 2020
With Comparative Totals for 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
REVENUE AND SUPPORT				
Contributions	\$ 483,316	30,463	513,779	436,367
Estate contributions	950	-	950	51,718
Investment income, net	28,761	-	28,761	33,942
Total Revenue and Support	<u>513,027</u>	<u>30,463</u>	<u>543,490</u>	<u>522,027</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Restrictions Satisfied by Expenditures	<u>30,463</u>	<u>(30,463)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program	541,527	-	541,527	557,636
Support services:				
Management and general	36,420	-	36,420	34,439
Fundraising	85,552	-	85,552	83,593
Total Expenses	<u>663,499</u>	<u>-</u>	<u>663,499</u>	<u>675,668</u>
CHANGE IN NET ASSETS	(120,009)	-	(120,009)	(153,641)
NET ASSETS - BEGINNING OF YEAR	<u>636,970</u>	<u>-</u>	<u>636,970</u>	<u>790,611</u>
NET ASSETS - END OF YEAR	<u>\$ 516,961</u>	<u>-</u>	<u>516,961</u>	<u>636,970</u>

See accompanying notes to the financial statements.

MARY'S PENCE
Statement of Functional Expenses
For the Year Ended June 30, 2020
With Comparative Totals for 2019

		Management and Program	General	Fundraising	Total 2020	Total 2019
Salaries	\$	144,214	19,339	49,454	213,007	196,078
Payroll taxes		11,258	1,545	3,836	16,639	14,604
Employee benefits		19,852	1,123	2,183	23,158	31,952
Grants		140,563	-	-	140,563	129,695
Public education and outreach		27,361	-	-	27,361	32,924
Marketing		400	67	8,763	9,230	12,327
Occupancy		21,309	1,178	3,533	26,020	11,834
Postage		6,223	115	2,832	9,170	10,090
Supplies		6,158	299	476	6,933	8,708
Telephone		4,653	225	539	5,417	4,256
Insurance		3,792	206	494	4,492	4,215
Professional fees		98,700	7,840	7,955	114,495	113,891
Travel		43,660	44	383	44,087	67,569
Board meetings and travel		3,470	190	507	4,167	16,343
Bank and credit card fees		-	3,886	-	3,886	3,470
Equipment rental		3,260	229	483	3,972	3,919
Dues and subscriptions		529	23	175	727	2,093
Licenses and fees		-	-	3,268	3,268	3,412
Depreciation		5,971	-	663	6,634	6,634
Miscellaneous		154	111	8	273	1,654
Total Expenses	\$	<u>541,527</u>	<u>36,420</u>	<u>85,552</u>	<u>663,499</u>	<u>675,668</u>

See accompanying notes to the financial statements.

MARY'S PENCE
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	2020	2019
Change in net assets	\$ (120,009)	(153,641)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	6,634	6,634
Net realized and unrealized gains on investments	(18,449)	(21,650)
(Increase) decrease in prepaid expense	411	(1,197)
Increase in security deposit	-	(1,000)
Increase (decrease) in accounts payable	11,128	(3,258)
Increase (decrease) in accrued compensation	(2,345)	1,867
Net cash used for operating activities	<u>(122,630)</u>	<u>(172,245)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	150,985	1,085
Purchase of investments	<u>(13,768)</u>	<u>(16,170)</u>
Net cash provided by (used for) investing activities	<u>137,217</u>	<u>(15,085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from payroll protection program loan	<u>49,100</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	63,687	(187,330)
CASH - BEGINNING OF YEAR	<u>84,124</u>	<u>271,454</u>
CASH - END OF YEAR	<u><u>\$ 147,811</u></u>	<u><u>84,124</u></u>

See accompanying notes to the financial statements.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2020
With Comparative Totals for 2019

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

Nature of Organization

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

Programs

The Organization's programs are as follows:

Mary's Pence Grants

Mary's Pence Grants are awarded to organizations in the United States and Canada that are working with their local community to create long-term systemic change. The organizations we fund are all small, with budgets under \$200,000 that collaborate with diverse populations, advocate to change unjust policies, and educate to build skills and increase capacity. In addition to providing financial support, Mary's Pence connects our grantees with other like-minded organizations and helpful resources.

ESPERA Program

Through the ESPERA program, Mary's Pence partners with women's organizations in Central America and Mexico on economic autonomy and empowerment. A key part of this work is the creation of community lending pools. The women own and manage the fund, the money does not return to Mary's Pence. The money is used by the women now and into the future, for income generating projects. Mary's Pence supports the groups with coaching, encouragement, and additional funds for administration of the fund, or training and development. A recent focus has been emotional wellness. We have hosted emotional wellness retreats and developed a program called Co-Escucha, a series of lessons and reflections delivered to women via their phone over a 12-week period.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2020
With Comparative Totals for 2019

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

Programs, (continued)

Education and Outreach

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

Adoption of New Accounting Standards

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Management believes these standards improve the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Basis of Presentation

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

Without Donor Restrictions - Resources over which management and the Board of Directors have discretionary control. At June 30, 2020 and 2019, this includes \$363,507 and \$575,486, respectively, of funds designated by the Board of Directors as future operating reserves.

With Donor Restrictions - Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization, or passage of time, or that will be maintained in perpetuity by the Organization. The Organization had no net assets with donor restrictions as of June 30, 2020 and 2019.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2020
With Comparative Totals for 2019

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

Revenue and Support

The Organization recognizes contributions when cash, securities, unconditional promises to give, or other assets are committed by the donor. Conditional contributions - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (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. Restricted contributions whose restrictions are met in the same reporting period are recorded as support with donor restrictions and then released from restriction.

Cash

Cash is defined as cash in checking and savings. The Organization maintains checking and savings accounts at two financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At June 30, 2020 and 2019, the Organization had no uninsured cash balances.

Investments

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset in orderly transaction between market participants at the measurement date. Net investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Interest and dividends are recorded when earned and unrealized gains and losses are recorded based on the fair value of the investment. Net investment income, including gain and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or laws. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Management believes there are no significant concentrations of credit risk.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2020
With Comparative Totals for 2019

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

Website

The website cost at June 30, 2020 and 2019 was \$19,900. Depreciation is provided, using the straight-line method, over its estimated useful life of three years. Accumulated depreciation at June 30, 2020 and 2019 was \$19,348 and \$12,714, respectively.

Grants

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

Contributed Services

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

Functional Allocation of Expense

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

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include occupancy, depreciation, insurance, equipment rent, marketing, supplies, postage, telephone, travel, board meetings and travel, dues and subscriptions, and miscellaneous expenses. Such expenses are allocated based on full-time staffing equivalents worked in the various functions and square footage.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2020
With Comparative Totals for 2019

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

Income Tax

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2020 and 2019, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Use of Estimates

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

Prior Year Summarized Information

The financial statements include certain prior year summarized information in total but not by net asset class or by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through October 9, 2020, the date which the financial statements were available for issue.

(2) **LIQUIDITY AND FINANCIAL ASSETS**

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. Monthly cash requirements are held in the checking and savings accounts.

The Organization has a goal to maintain cash on hand to meet six to nine months of operating expenses. The Organization also has significant Board designated net assets intended for future operations. These designations have been reflected as a reduction in the financial assets available within one year as the Board does not presently intend to spend from these funds.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2020
With Comparative Totals for 2019

(2) **LIQUIDITY AND FINANCIAL ASSETS (continued)**

However, the Organization does not consider the designated funds to be a significant constraint to the availability of financial assets for the Organization as they can be released by Board action, if necessary.

The Organization had a deficit of \$120,009 in fiscal 2020. This deficit was a planned spend down of funds that accumulated over several years from unplanned income including bequests and a few large donations. The Board determined that funds be used to increase investments in the ESPERA program and in the Mary's Pence Grants program.

The following table reflects the Organizations financial assets as of June 30, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

	2020	2019
Cash and cash equivalents	\$ 147,811	84,124
Investments	<u>440,295</u>	<u>559,063</u>
Total financial assets	588,106	643,187
Less amounts not available to be used within one year:		
Board designated funds	(363,507)	(575,486)
Financial assets available within one year to meet cash needs for general expenditures	\$ <u>224,599</u>	<u>67,701</u>

(3) **INVESTMENTS**

Investments are comprised of the following at June 30:

	2020	2019
Money market funds	\$ 19,553	158,025
Fixed income mutual funds	141,717	130,062
Equity mutual funds	126,222	118,582
Corporate and government bonds	52,529	58,285
U.S. stocks	<u>100,274</u>	<u>94,109</u>
Total	\$ <u>440,295</u>	<u>559,063</u>

MARY'S PENCE
Notes to the Financial Statements
June 30, 2020
With Comparative Totals for 2019

(4) **FAIR VALUE MEASUREMENTS**

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

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

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

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

	Level 1	Level 2	Level 3	Total
<u>June 30, 2020</u>				
Money market	\$ 19,553	-	-	19,553
Fixed income mutual fund	141,717	-	-	141,717
Equity mutual funds	126,222	-	-	126,222
Corporate and government bonds	-	52,529	-	52,529
U.S. stocks	<u>100,274</u>	<u>-</u>	<u>-</u>	<u>100,274</u>
	<u>\$ 387,766</u>	<u>52,529</u>	<u>-</u>	<u>440,295</u>
	Level 1	Level 2	Level 3	Total
<u>June 30, 2019</u>				
Money market	\$ 158,025	-	-	158,025
Fixed income mutual fund	130,062	-	-	130,062
Equity mutual funds	118,582	-	-	118,582
Corporate and government bonds	-	58,285	-	58,285
U.S. stocks	<u>94,109</u>	<u>-</u>	<u>-</u>	<u>94,109</u>
	<u>\$ 500,778</u>	<u>58,285</u>	<u>-</u>	<u>559,063</u>

MARY'S PENCE
Notes to the Financial Statements
June 30, 2020
With Comparative Totals for 2019

(5) **RETIREMENT PLAN**

The Organization maintains a Simple IRA retirement plan which is available to all eligible employees. Participants may contribute a certain percentage of their compensation, not to exceed the limitations established by the Internal Revenue Code. The Organization makes matching contributions equal to 100% of the employee's contributions, not to exceed 3% of the employee's compensation. For fiscal 2020 and 2019, the Organization contributed \$5,029 and \$5,514, respectively, to the plan.

(6) **PROMISSORY NOTE**

The Organization has an unsecured promissory note with Sisters of Charity of Saint Vincent De Paul New York for \$20,000. The note matures and the principal is due September 1, 2025. Per the terms of the note, the note may be extended beyond September 1, 2025 according to arrangements made between the two parties. The note bears no interest as long as Mary's Pence submits annual financial audits and progress reports to Sisters of Charity of Saint Vincent De Paul New York.

(7) **PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, the Organization received a Paycheck Protection Program (PPP) loan of \$49,100. The interest rate on the loan is 1% and principal and interest payments of \$2,764 begin in November 2020. The note matures April 2022. If the Organization meets certain provision of the PPP, this note may be eligible for forgiveness. Management believes this note will be fully forgiven.

Future principal payments on the PPP loan for the year ending June 30 are as follows:

2021	\$ 21,598
2022	<u>27,502</u>
Total	\$ <u>49,100</u>

(8) **LEASES**

The Organization has an operating lease for office space. The lease expires on May 31, 2021. Rent expense for fiscal year 2020 and 2019 was \$26,020 and \$11,834, respectively.

The Organization has operating leases for office equipment which expire in fiscal 2022. Rent expense on such equipment for fiscal years 2020 and 2019 was \$3,243.

MARY'S PENCE
Notes to the Financial Statements
June 30, 2020
With Comparative Totals for 2019

(8) **LEASES, (continued)**

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

2021	\$ 25,474
2022	645
2023	540
2024	<u>270</u>
	\$ <u>26,929</u>

(9) **NET ASSETS**

Net assets were released from donor restrictions by incurring expenses that satisfy the restricted purpose or other events specified by the donors. Net assets released from restriction were comprised of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
ESPERA funds	\$ 29,963	67,738
SSND Luncheon	500	-
Grantee retreat	<u>-</u>	<u>5,143</u>
Total net assets released from restrictions	\$ <u>30,463</u>	<u>72,881</u>

(10) **COVID - 19**

In March of 2020, the COVID-19 outbreak in the United States had and continues to have an impact on the operations of the Organization. The result of the above may negatively impact the overall revenue of the Organization in fiscal 2021. The financial impact and duration of this economic uncertainty cannot be reasonably estimated at this time.