

FRANCISCAN MOUNTAIN RETREAT, INC.

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2021

FRANCISCAN MOUNTAIN RETREAT, INC.

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors

Franciscan Mountain Retreat, Inc.

Management is responsible for the accompanying financial statements of *Franciscan Mountain Retreat, Inc.* (a nonprofit organization), which comprise the statements of financial position as of May 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Bysiek CPA, PLLC

BYSIEK CPA, PLLC
AUGUST 11, 2021
OLEAN, NY 14760

FRANCISCAN MOUNTAIN RETREAT, INC.
STATEMENTS OF FINANCIAL POSITION

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As of May 31,

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 747,426	\$ 538,312
Pledges receivable	45,831	82,218
Accounts receivable	7,849	7,415
Total current assets	801,107	627,945
Property and equipment, net	762,594	810,416
Other assets		
Restricted cash and cash equivalents	193,067	238,325
Investments	4,589,567	3,612,241
Total other assets	4,782,634	3,850,566
Total assets	\$ 6,346,334	\$ 5,288,927
Liabilities and Net Assets		
Current liabilities		
Loan payable - Payroll Protection Program	\$ 17,300	\$ -
Total current liabilities	17,300	-
Net assets		
Without donor restrictions		
Board-designated	\$ 484,013	\$ 403,657
Property and equipment	762,594	810,416
Other	4,889,360	3,836,529
Total without donor restrictions	6,135,967	5,050,602
With donor restrictions	193,067	238,325
Total net assets	6,329,034	5,288,927
Total liabilities and net assets	\$ 6,346,334	\$ 5,288,927

See accountant's compilation report

FRANCISCAN MOUNTAIN RETREAT, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

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For the Year Ended May 31,

	2021			2020	
	Without Donor Restrictions		With Donor Restrictions	Total	Total
	Operating	Board-designated			
Support and revenue					
Contributions	\$ 455,717		\$ 22,227	\$ 477,944	\$ 371,536
SBU operating	80,000			80,000	110,000
Overnights	25,400			25,400	26,105
Special events	15,490	15,490		30,981	18,077
Dividends and interest	53,332			53,332	71,075
Other sources	9,945	1,348		11,293	35,708
Net assets released from restrictions	67,485		(67,485)	-	-
Total support and revenue	707,370	16,838	(45,258)	678,950	632,501
Expenses					
Program service	533,528			533,528	513,203
Management and general	25,154			25,154	21,034
Fund-raising	33,937			33,937	21,034
Total expenses	592,619	-	-	592,619	555,271
Excess of support and revenue over expenses	114,750	16,838	(45,258)	86,331	77,230
Other changes in net assets					
Gains on investments	890,259	63,518		953,777	285,512
Change in net assets	1,005,010	80,356	(45,258)	1,040,108	362,743
Net assets, beginning of year	4,646,945	403,657	238,325	5,288,926	4,926,183
Net assets, end of year	\$ 5,651,954	\$ 484,013	\$ 193,067	\$ 6,329,034	\$ 5,288,926

See accountant's compilation report

FRANCISCAN MOUNTAIN RETREAT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended May 31,

	2021				2020	
	Program service	Management and general	Fund-raising	Total	Total	
Salaries and wages	\$ 152,661	\$ 8,481	\$ 8,481	\$ 169,623	\$	171,434
Payroll taxes	17,088	949	949	18,987		14,054
Employee benefits	25,840	1,436	1,436	28,711		23,965
Friar stipends	81,000	4,500	4,500	90,000		90,000
Contracted services	47,971	-	-	47,971		37,964
Occupancy	30,192	1,677	1,677	33,547		32,078
Advertising and promotion	3,388	188	188	3,765		2,724
Professional fees	17,584	977	977	19,537		7,660
Programming	5,119	-	-	5,119		5,471
Printing	12,739	-	3,185	15,924		16,218
Postage and shipping	5,652	-	1,413	7,066		5,942
Supplies	7,550	-	1,887	9,437		7,588
Information technology	9,191	-	2,298	11,489		10,345
Repairs and maintenance	17,331	963	963	19,257		18,170
Utilities	18,228	1,013	1,013	20,253		22,073
Property taxes	5,824	324	324	6,472		6,918
Travel and entertainment	3,019	647	647	4,313		15,320
Depreciation	47,139	2,619	2,619	52,377		55,668
Insurance	20,336	1,130	1,130	22,595		2,815
Donations	1,160	-	-	1,160		1,156
Miscellaneous	4,515	251	251	5,016		7,707
	<u>\$ 533,528</u>	<u>\$ 25,154</u>	<u>\$ 33,937</u>	<u>\$ 592,619</u>	<u>\$</u>	<u>555,271</u>

FRANCISCAN MOUNTAIN RETREAT, INC.
STATEMENTS OF CASH FLOWS

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<i>For the Year Ended May 31,</i>	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,040,108	\$ 362,743
Depreciation expense	52,377	55,668
Gains on investments	(953,777)	(285,512)
Restricted contributions	(22,227)	(31,638)
Adjustments to reconcile change in net assets to net change in cash provided by operating activities:		
Change in:		
Pledges receivable	36,387	56,723
Accounts receivable	(434)	(710)
Net cash provided by (used in) operating activities	152,434	157,274
Cash flows from investing activities		
Net sales (purchases) of investments	(23,549)	(48,091)
Purchases of capital assets	(4,555)	(52,354)
Net cash used in investing activities	(28,104)	(100,445)
Cash flows from financing activities		
Proceeds from Payroll Protection Program loan	17,300	-
Restricted contributions	22,227	31,638
Net cash provided by financing activities	39,527	31,638
Net change in cash, cash equivalents and restricted cash	163,857	88,467
Cash, cash equivalents and restricted cash at beginning of year	776,635	688,168
Cash, cash equivalents and restricted cash at end of year	\$ 940,492	\$ 776,635

See accountant's compilation report

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Nature of Operations

Franciscan Mountain Retreat, Inc. is a not-for-profit corporation rooted in the Catholic and Franciscan tradition. Grounded in the Gospel of Jesus Christ and inspired by the lives of Saints Francis and Clare of Assisi, the Mountain offers a contemplative place of retreat and hosts a variety of programs that offer spiritual renewal and a celebration of prayer, work, and leisure.

B. 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. Thus, revenues are recognized when earned, and expenses are recognized when incurred.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification Topic 958, *Financial Statements of Not-for-Profit Organizations*. The Organization adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities*, effective for the year ending May 31, 2020. The unrestricted net asset class has been renamed *Net Assets Without Donor Restrictions*. The temporarily and permanently restricted net asset classes have been consolidated under the name *Net Assets With Donor Restrictions*. Board-designated net assets, which are reported as a component of *Net Assets Without Donor Restrictions*, include amounts on deposit in the Organization's building maintenance fund, along with approximately \$89,000 designated for a future land purchase.

D. Estimates

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

E. Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the statement of financial position that sum to the total of the same amounts in the statement of cash flows.

As of May 31,	2021	2020
Cash and cash equivalents	\$ 529,300	\$ 538,312
Restricted cash	411,193	238,325
Total	\$ 940,493	\$ 776,635

F. Investments

Investments with readily determinable fair values are valued at their fair values using quoted market prices or the funds' statements of financial position. Gains and losses on investments are reflected as other changes in net assets in the Statements of Activities.

G. Reclassifications

Certain accounts in the prior year have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

H. Property, Equipment, and Depreciation

Equipment and improvements to the building and grounds are recorded at historical cost. Donations of property and equipment are recorded as unrestricted contributions at their estimated fair value at the date of the donation. All expenditures for repairs and maintenance that materially prolong the useful lives of assets are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets ranging from 5 to 39 years.

I. Support and Revenue

Franciscan Mountain Retreat, Inc. receives its revenue from a variety of sources, including contributions and fees for services. Guests who stay overnight, or for an extended period of time in one of the Organization's buildings, are asked to pay small stipends. The Organization also receives an annual allotment from St. Bonaventure University for services provided to University students and the surrounding communities. Additionally, contributions are solicited from donors by a variety of means, including direct mail, phone and social media platforms. Such contributions (including grants) constitute non-exchange transactions, requiring application of the contribution accounting model, according to the provisions of ASU 2018-08. A contribution is recognized as revenue when a donor makes an unconditional promise to give. Contributions restricted by the donor/grantor are reported as increases in net assets with donor restrictions. When a restriction expires, these amounts are reported in the statements of activities as net assets released from restrictions.

J. In-kind Contributions

A number of unpaid volunteers have made contributions to *Franciscan Mountain Retreat, Inc.* and its programs. The value of this contributed time is reflected in these statements when it meets the criteria for recognition under FASB ASC Topic 958 and is susceptible to objective measurement and valuation. There were no amounts that met this criteria for the years ended May 31, 2021 and 2020.

K. Functional Expenses

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Expenses that are readily identifiable to a specific program or supporting service are charged directly to that service. Expenses attributable to more than one program or supporting service are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and occupancy expenses, which are allocated based on estimated usage, square footage, or employment related expenses, which when not directly related to a program, are allocated based on estimates of time and effort.

L. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from New York State income taxes under Article 7-A of the Executive Law. Therefore, no provision has been made for Federal or New York State income taxes in the accompanying financial statements. Tax returns remaining open for examination by taxing authorities include those for the years 2017 and following.

NOTE 2: INVESTMENTS

Investments are classified internally as follows:

As of May 31:	2021 Market Value	2021 Cost
Regular endowment	\$ 3,377,875	\$ 2,612,842
Sustainability	944,395	764,293
Building maintenance	267,297	218,541
Total	\$ 4,589,567	\$ 3,595,676

As of May 31:	2020 Market Value	2020 Cost
Regular endowment	\$ 2,706,654	\$ 2,329,548
Sustainability	699,653	647,633
Building maintenance	205,934	191,898
Total	\$ 3,612,241	\$ 3,169,079

The sustainability fund is composed of amounts raised to ensure viability of the Organization's ministry programs in the future. The building maintenance fund includes board-designated amounts set aside to provide for future capital expansion and maintenance needs. The regular endowment is a quasi-endowment including amounts that have been contributed to the Organization in prior years and set aside to fund the long-term needs of the Organization.

The following summarizes investment returns and their classification in the Statement of Activities:

For the Year Ending May 31,	2021	2020
Interest and dividends	\$ 61,300	\$ 79,471
Investment management fees	(7,968)	(8,396)
Gains on investments	953,777	285,512
Net overall investment return	\$ 1,007,109	\$ 356,587

NOTE 3: FAIR VALUE MEASUREMENTS

The Organization's investment accounts are held by Merrill Lynch Wealth Management and Bank of America, are reported at fair value in the accompanying Statement of Financial Position. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent resources, while unobservable inputs reflect the Organization's market assumptions. These types of inputs create the following fair value hierarchy: Level 1 inputs consist of quoted prices for identical instruments in active markets, Level 2 inputs consist of quoted prices in active markets for similar assets or liabilities or quoted prices in inactive markets for identical or similar assets or liabilities and model-derived valuations whose significant inputs are observable. Level 3 consists of instruments whose significant inputs are unobservable. The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments.

NOTE 3: FAIR VALUE MEASUREMENTS (CON'T)

May 31, 2021

Description	Level 1	Total
Fixed income	\$ 1,207,106	\$ 1,207,106
Equities	3,252,331	3,252,331
Money market	130,130	130,130
Total	\$ 4,589,567	\$ 4,589,567

May 31, 2020

Description	Level 1	Total
Fixed income	\$ 1,048,642	\$ 1,048,642
Equities	2,359,611	2,359,611
Money market	203,988	203,988
Total	\$ 3,612,241	\$ 3,612,241

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Balance 5/31/2020	Additions	Reductions	Balance 5/31/2021
Building and improvements	\$ 1,370,889	\$ 4,555	\$ -	\$ 1,375,444
Land	116,451	-	-	116,451
Vehicles	294,714	-	-	294,714
Furniture and equipment	29,907	-	-	29,907
Sub-total	1,811,961	4,555	-	1,816,518
Accumulated depreciation	(1,001,545)	(52,377)	-	(1,053,922)
Total	\$ 810,416	\$ (47,822)	\$ -	\$ 762,594

Depreciation expense was approximately \$52,000 and \$56,000 for the years ending May 31, 2021 and 2020, respectively.

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions from donors earmarked for specific purposes. Net assets without donor restrictions include those designated by the board for particular uses in the future. Nets include the following as of May 31, 2021:

With donor restrictions (purpose restricted)	\$ 193,067
Without donor restrictions:	
Board-designated	484,013
Property and equipment	762,594
Other	<u>4,889,360</u>
	<u>6,135,967</u>
Total net assets	<u>\$6,329,034</u>

NOTE 6: LIQUIDITY MANAGEMENT

The Organization regularly reviews its financial position and operations, including the liquidity required to meet general expenditures, liabilities, and obligations that may come due. General expenditures are considered to be those routinely incurred in operating programs and providing supporting services. The Organization has financial assets available for meeting such expenditures in the next fiscal year, including unrestricted cash and cash equivalents, receivables and investments totaling approximately \$5,200,000.

NOTE 7: SUBSEQUENT EVENTS

The Organization has evaluated events and transactions through August 11, 2021, the date the financial statements were available to be issued. The outbreak of COVID-19 has had a notable impact on general economic conditions. The extent and impact of the pandemic on the Organization and its operations are uncertain and cannot be reasonably estimated at this time.