# Marillac Social Center

## Financial Report
## June 30, 2015

## Contents

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# Independent Auditor's Report

To the Board of Directors
Marillac Social Center

## Report on the Financial Statements

We have audited the accompanying financial statements of Marillac Social Center (the "Center"), which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

To the Board of Directors
Marillac Social Center

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marillac Social Center as of June 30, 2015 and 2014 and the changes in its net assets, functional expenses, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015 on our consideration of Marillac Social Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marillac Social Center's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 5, 2015

# Marillac Social Center

## Statement of Financial Position

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| **Assets** | | |
| **Assets** | | |
| Cash and cash equivalents | $ 223,292 | $ 36,700 |
| Receivables: | | |
| Grants receivable | 346,552 | 258,888 |
| Donations and other receivables | 111,900 | 539 |
| Prepaid expenses | 21,443 | 4,345 |
| Total current assets | 703,187 | 300,472 |
| **Investments** | 1,764,802 | 1,465,709 |
| **Property and Equipment** - Net | 5,280,876 | 4,386,616 |
| Total assets | **$ 7,748,865** | **$ 6,152,797** |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 71,846 | $ 300,644 |
| Due to related parties | 1,120,268 | 360,411 |
| Retainage payable | - | 310,050 |
| Short-term loan | 105,590 | 71,380 |
| Accrued payroll-related expenses | 415,686 | 322,902 |
| Other liabilities | 44,188 | 44,188 |
| Total current liabilities | 1,757,578 | 1,409,575 |
| **Long-term Liabilities** - Pension benefit obligation | 227,385 | 150,864 |
| Total liabilities | 1,984,963 | 1,560,439 |
| **Net Assets** | | |
| Unrestricted | 5,406,950 | 4,209,351 |
| Temporarily restricted | 356,952 | 383,007 |
| Total net assets | 5,763,902 | 4,592,358 |
| Total liabilities and net assets | **$ 7,748,865** | **$ 6,152,797** |

## Statement of Activities and Changes in Net Assets

| | Year Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2015 | | | | June 30, 2014 | | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Revenue and Support** | | | | | | | | |
| Public support: | | | | | | | | |
| Contributions | $ 1,236,263 | $ 910,601 | $ - | $ 2,146,864 | $ 696,549 | $ 1,348,876 | $ - | $ 2,045,425 |
| In-kind donations | 1,314,300 | - | - | 1,314,300 | 1,948,200 | - | - | 1,948,200 |
| Other support | 27,624 | - | - | 27,624 | 44,214 | - | - | 44,214 |
| Grants from governmental agencies | 3,473,871 | - | - | 3,473,871 | 5,306,602 | - | - | 5,306,602 |
| Program service fees | 144,139 | - | - | 144,139 | 149,127 | - | - | 149,127 |
| Investment (loss) income | (11,782) | - | - | (11,782) | 74,331 | - | - | 74,331 |
| Space use fees/Rental income | 519,321 | - | - | 519,321 | 518,605 | - | - | 518,605 |
| Miscellaneous | 12,089 | - | - | 12,089 | 39,408 | - | - | 39,408 |
| Transfer of assets from parent | 690,466 | - | - | 690,466 | - | - | - | - |
| Pension - Related changes other than net periodic pension expense | 40,370 | - | - | 40,370 | - | - | - | - |
| Total revenue and support | 7,446,661 | 910,601 | - | 8,357,262 | 8,777,036 | 1,348,876 | - | 10,125,912 |
| **Net Assets Released from Restrictions** | 936,656 | (936,656) | - | - | 1,379,408 | (1,379,408) | - | - |
| Total revenue and support and net assets released from restrictions | 8,383,317 | (26,055) | - | 8,357,262 | 10,156,444 | (30,532) | - | 10,125,912 |
| **Expenses** | | | | | | | | |
| Program services | 6,281,082 | - | - | 6,281,082 | 6,364,431 | - | - | 6,364,431 |
| Management and general | 428,608 | - | - | 428,608 | 380,058 | - | - | 380,058 |
| Fundraising | 327,285 | - | - | 327,285 | 348,112 | - | - | 348,112 |
| Total expenses | 7,036,975 | - | - | 7,036,975 | 7,092,601 | - | - | 7,092,601 |
| **Increase (Decrease) in Net Assets** - Before pension-related changes other than net periodic pension expense | 1,346,342 | (26,055) | - | 1,320,287 | 3,063,843 | (30,532) | - | 3,033,311 |
| **Pension-related Changes Other than Net Period Pension Expense** | (148,743) | - | - | (148,743) | (214,856) | - | - | (214,856) |
| **Increase (Decrease) in Net Assets** | 1,197,599 | (26,055) | - | 1,171,544 | 2,848,987 | (30,532) | - | 2,818,455 |
| **Net Assets** - Beginning of year | 4,209,351 | 383,007 | - | 4,592,358 | 1,360,364 | 413,539 | - | 1,773,903 |
| **Net Assets** - End of year | **$ 5,406,950** | **$ 356,952** | **$ -** | **$ 5,763,902** | **$ 4,209,351** | **$ 383,007** | **$ -** | **$ 4,592,358** |

See Notes to Financial Statements.

# Marillac Social Center

## Statement of Functional Expenses

Year Ended June 30, 2015

| | Program Services | | | | | | Support Services | | |
|---|---|---|---|---|---|---|---|---|---|
| | Child Development | Outreach | Project Hope | Seniors | Other Programs | Total | Management and General | Fundraising | Total |
| Salaries, wages, and stipends | $ 2,229,372 | $ 154,623 | $ 631,456 | $ 112,878 | $ 46,834 | $ 3,175,163 | $ 256,228 | $ 186,642 | $ 3,618,033 |
| Employee benefits | 497,084 | 24,048 | 132,936 | 16,118 | 3,613 | 673,799 | 18,546 | 11,296 | 703,641 |
| Pension periodic benefit | (53,011) | (794) | (12,711) | (289) | - | (66,805) | (3,322) | (2,095) | (72,222) |
| Total salaries and related expenses | 2,673,445 | 177,877 | 751,681 | 128,707 | 50,447 | 3,782,157 | 271,452 | 195,843 | 4,249,452 |
| Professional fees | 62,316 | 2,393 | 18,038 | 675 | 117 | 83,539 | 69,977 | 32,243 | 185,759 |
| Occupancy | 1,185,431 | 130,523 | 164,968 | 26,261 | 129,805 | 1,636,988 | 73,373 | 47,423 | 1,757,784 |
| Transportation | 14,938 | 1,980 | 3,851 | 2,135 | 248 | 23,152 | 618 | 715 | 24,485 |
| Direct client | 204,598 | 5,370 | 53,604 | 11,175 | - | 274,747 | 359 | 6,870 | 281,976 |
| Communication | 53,840 | 6,179 | 18,220 | 1,632 | 3,209 | 83,080 | 4,177 | 17,482 | 104,739 |
| Depreciation and amortization | 89,101 | 62,792 | 134,777 | 20,510 | - | 307,180 | 5,561 | 3,539 | 316,280 |
| Other | 38,062 | 12,717 | 34,860 | 4,243 | 357 | 90,239 | 3,091 | 23,170 | 116,500 |
| Total functional expenses | **$ 4,321,731** | **$ 399,831** | **$ 1,179,999** | **$ 195,338** | **$ 184,183** | **$ 6,281,082** | **$ 428,608** | **$ 327,285** | **$ 7,036,975** |

Year Ended June 30, 2014

| | Program Services | | | | | | Support Services | | |
|---|---|---|---|---|---|---|---|---|---|
| | Child Development | Outreach | Project Hope | Seniors | Other Programs | Total | Management and General | Fundraising | Total |
| Salaries, wages, and stipends | $ 2,061,448 | $ 132,434 | $ 585,466 | $ 108,580 | $ 10,005 | $ 2,897,933 | $ 237,755 | $ 203,865 | $ 3,339,553 |
| Employee benefits | 453,729 | 22,113 | 117,216 | 14,701 | 2,111 | 609,870 | 18,194 | 14,607 | 642,671 |
| Pension periodic benefit | (67,014) | (1,005) | (16,069) | (365) | - | (84,453) | (4,200) | (2,647) | (91,300) |
| Total salaries and related expenses | 2,448,163 | 153,542 | 686,613 | 122,916 | 12,116 | 3,423,350 | 251,749 | 215,825 | 3,890,924 |
| Professional fees | 110,361 | 1,872 | 31,751 | 658 | 1,203 | 145,845 | 7,835 | 43,604 | 197,284 |
| Occupancy | 1,731,898 | 163,938 | 189,889 | 30,544 | 127,749 | 2,244,018 | 106,839 | 69,264 | 2,420,121 |
| Transportation | 17,318 | 1,848 | 5,493 | 2,085 | 239 | 26,983 | 1,004 | 594 | 28,581 |
| Direct client | 201,423 | 32,521 | 75,351 | 9,570 | - | 318,865 | 347 | 363 | 319,575 |
| Communication | 46,369 | 6,805 | 10,661 | 1,084 | 1,888 | 66,807 | 4,033 | 11,083 | 81,923 |
| Depreciation and amortization | 68,048 | 4,184 | 6,573 | 2,575 | - | 81,380 | 4,965 | 1,922 | 88,267 |
| Other | 40,061 | 595 | 10,331 | 215 | 5,981 | 57,183 | 3,286 | 5,457 | 65,926 |
| Total functional expenses | **$ 4,663,641** | **$ 365,305** | **$ 1,016,662** | **$ 169,647** | **$ 149,176** | **$ 6,364,431** | **$ 380,058** | **$ 348,112** | **$ 7,092,601** |

# Marillac Social Center

## Statement of Cash Flows

| | Year Ended June 30, 2015 | Year Ended June 30, 2014 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Increase in net assets | $ 1,171,544 | $ 2,818,455 |
| Adjustments to reconcile increase in net assets to net cash from operating activities: | | |
| Depreciation and amortization of property and equipment | 316,280 | 88,267 |
| Realized and change in unrealized gains on investments | (11,782) | (31,750) |
| Transfer of assets - Related party | (690,466) | - |
| Changes in operating assets and liabilities which (used) provided cash: | | |
| Accounts receivable | (199,025) | (23,387) |
| Prepaid expenses | (17,098) | 15,823 |
| Accounts payable and accrued expenses | (446,064) | 60,560 |
| Due to/from related parties | 759,857 | 389,401 |
| Deferred revenue | - | (625,000) |
| Pension benefit obligation | 76,521 | 123,556 |
| Net cash provided by operating activities | 959,767 | 2,815,925 |
| **Cash Flows from Investing Activities** | | |
| Proceeds from sale of investments | 1,224,326 | 1,758,573 |
| Purchase of investments | (821,171) | (1,496,397) |
| Capital expenditures | (1,210,540) | (3,048,146) |
| Net cash used in investing activities | (807,385) | (2,785,970) |
| **Cash Flows from Financing Activities** - Net proceeds from (payment on) short-term loan | 34,210 | (30,920) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 186,592 | (965) |
| **Cash and Cash Equivalents** - Beginning of year | 36,700 | 37,665 |
| **Cash and Cash Equivalents** - End of year | **$ 223,292** | **$ 36,700** |
| **Supplemental Disclosure Cash Flow Information** | | |
| Noncash property and equipment additions | $ 310,050 | $ 563,210 |
| Transfer of assets - Related party (investments) | 690,466 | - |

### Note 1 - Nature of Activities and Significant Accounting Policies

**Nature of Organization** - Marillac Social Center (the "Center") is a not-for-profit multi-service social service agency incorporated in the state of Illinois serving the Chicagoland area and operated by Marillac St. Vincent Family Services, Inc. (MSFS). The purpose of the Center is to enable the working poor and their children to strengthen and preserve family life.

Significant accounting policies are as follows:

**Classification of Net Assets** - Net assets of the Center are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Center's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

**Cash and Cash Equivalents** - Cash includes monies held in checking accounts and highly liquid interest-bearing accounts without significant withdrawal restrictions. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Investments** - The Center's investments are exposed to various risks such as interest rate risk, credit risk, and overall market volatility. Due to these and other risk factors, it is reasonably possible that changes in the value of the investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

## Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

The Center's funds are primarily invested in the CHIMCO Alpha Fund, LLC (the "Alpha Fund"), a Delaware limited liability company that commenced operations in April 2012. A significant portion of the investment assets within the Alpha Fund was transferred from Ascension Health during 2013. Catholic Healthcare Investment Management Company (CHIMCO), a Missouri nonprofit corporation, serves as the Alpha Fund's manager and principal investment adviser. CHIMCO is registered with the U.S. Securities and Exchange Commission as an investment adviser. CHIMCO manages and oversees the Alpha Fund's investment program and selects the strategies offered to the Alpha Fund's investors. The Alpha Fund seeks to offer investors the opportunity to create a diversified portfolio among different strategy options. Investors have the opportunity to invest only in those strategies which they select. The Center's asset allocation included equity securities, high yield bonds, liquid real assets, cash, and core and unconstrained fixed income. The Alpha Fund's underlying investments are in line with the Center's allocation policy. All earnings, less operating expenses, are distributed to investors based on ownership within the strategies.

**Property and Equipment** - Property and equipment are stated at cost or, if donated, at the estimated fair value as of date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Major additions are capitalized while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed currently.

**Federal Income Taxes** - The Center is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America (U.S. GAAP) require management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Center and has concluded that as of June 30, 2015 and 2014 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

**Unrestricted and Restricted Revenue and Support** - Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

## Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Contributions, including unconditional promises to give, are recorded when a commitment is received from the donor. 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 pledges expected to be received over more than one year are initially recorded by the Center as contributions receivable at fair value. They are subsequently valued at the present value of future cash flows. An allowance for uncollectible pledges receivable is provided based upon management's judgment and analysis regarding such factors as the creditworthiness of the donor, prior collection history, type of contribution, and nature of fundraising activity. Promises to give noncash assets are recorded at fair value.

Revenue from government grants designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

Revenue from program service fees is recognized in the period when services are rendered.

The Center records noncash donations at fair value at the date of receipt.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses** - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including November 5, 2015, which is the date the financial statements were available to be issued.

### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Upcoming Accounting Change** - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Center's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Center has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

### Note 2 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Center's assets measured at fair value on a recurring basis at June 30, 2015 and 2014 and the valuation techniques used by the Center to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Center has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

## Note 2 - Fair Value Measurements (Continued)

The Center does not currently utilize any Level 3 inputs.

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

**Assets Measured at Fair Value on a Recurring Basis at June 30, 2015**

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2015 |
|---|---|---|---|---|
| Investments: | | | | |
| Private commingled fund of the Alpha Fund | $ - | $ 1,764,082 | $ - | $ 1,764,082 |
| Mutual funds | 720 | - | - | 720 |
| Total investments | $ 720 | $ 1,764,082 | $ - | $ 1,764,802 |

**Assets Measured at Fair Value on a Recurring Basis at June 30, 2014**

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2014 |
|---|---|---|---|---|
| Investments: | | | | |
| Private commingled fund of the Alpha Fund | $ - | $ 1,464,989 | $ - | $ 1,464,989 |
| Mutual funds | 720 | - | - | 720 |
| Total investments | $ 720 | $ 1,464,989 | $ - | $ 1,465,709 |

The fair value of the Alpha Fund was determined primarily based on Level 2 inputs. The fair value of the investment is based on its net asset value as this fund does not have readily determinable fair value as defined by U.S. GAAP.

## Note 2 - Fair Value Measurements (Continued)

The Center holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent).

**Investments Held at June 30, 2015**

| | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible |
|---|---|---|---|
| Private commingled fund of the Alpha Fund | $ 1,764,082 | $ - | Daily |

**Investments Held at June 30, 2014**

| | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible |
|---|---|---|---|
| Private commingled fund of the Alpha Fund | $ 1,464,989 | $ - | Daily |

## Note 3 - Property and Equipment

Property and equipment consisted of the following as of June 30:

| | 2015 | 2014 | Depreciable Life - Years |
|---|---|---|---|
| Leasehold improvements | $ 5,426,037 | $ 567,356 | 15-40 |
| Furniture and fixtures | 1,009,526 | 851,860 | 5-10 |
| Vehicles | 281,181 | 281,181 | 5-10 |
| Construction in progress | - | 3,805,806 | - |
| Total cost | 6,716,744 | 5,506,203 | |
| Accumulated depreciation | 1,435,868 | 1,119,587 | |
| Net property and equipment | $ 5,280,876 | $ 4,386,616 | |

Depreciation and amortization expense was $316,280 for 2015 and $88,267 for 2014. Construction in progress as of June 30, 2014 consists of expenditures associated with reconfiguration of the building located at 2859 W. Jackson Boulevard in Chicago owned by Daughters of Charity Ministries, Inc. (see Note 8). The estimated cost of the total construction project is approximately $4,800,000 and is completed as of October 2014.

## Note 4 - Related Party Transactions

Marillac St. Vincent Family Services, Inc. (MSFS) is the parent entity of the Center and St. Vincent de Paul Center (SVDC). Common administrative expenses for the Center, SVDC, and MSFS are paid for by one of these organizations and then are charged back to the other applicable organizations monthly, determined by usage. The Center received contributions of $364,200 and $789,750 from MSFS for various programs for the years ended June 30, 2015 and 2014, respectively. The balances due (to) from SVDC and MSFS were ($1,379,470) and $0, respectively, as of June 30, 2015 and ($264,734) and ($95,677), respectively, as of June 30, 2014.

Daughters of Charity, Inc. (DOC) is the parent entity of Mission and Ministry, Inc. (MMI) and Daughters of Charity Ministries, Inc. (DCM), which is the parent entity of MSFS. DCM has one land lease agreement with the Center, as noted in Note 7. An in-kind contribution of $1,248,000 and $1,948,200 was recorded for the years ended June 30, 2015 and 2014, respectively, as well as the related rent expense. MMI contributed $750,000 for the construction project as of June 30, 2014 and $85,000 and $310,150 for various programs as of June 30, 2015 and 2014, respectively. DCM contributed $245,338 and $100,000 for various programs as of June 30, 2015 and 2014, respectively. During each of the years ended June 30, 2015 and 2014, the Center received a noninterest-bearing loan in the amount of $260,520 from DOC to help with cash flow as a result of the State of Illinois backlog in reimbursing for one of the program services grants. The year-end balance of the loan was $105,590 and $71,380 as of June 30, 2015 and 2014, respectively.

**Legal Realignment and Subsequent Event**

Prior to July 1 2015, Marillac St. Vincent Family Services (MSFS) was the parent entity of Marillac Social Center (Marillac) and St. Vincent de Paul Center (SVDC). During the fiscal year ending June 30, 2015, each of these three entities' boards of trustees approved a legal realignment in order to achieve greater efficiencies. Below are the major elements of the legal realignment.

- During the fiscal year ending June 30, 2015, MSFS donated all of its assets and liabilities to Marillac Social Center and St Vincent de Paul Center. The net value contributed to Marillac was $690,466. The net asset position of MSFS at June 30, 2015 is zero.
- Effective July 1, 2015, the parent entity of Marillac became SVDC and the parent entity of SVDC became DCM.
- On July 1, 2015, the following occurred:
  - MSFS was renamed to Marillac St. Vincent Holdings, Inc.
  - SVDC was renamed to Marillac St. Vincent Ministries, Inc.
  - Marillac was renamed to Marillac St. Vincent Family Services, Inc.

## Note 5 - Pension Plan

The Center participates in a noncontributory multiple-employer defined benefit pension plan sponsored by Ascension Health. The plan covers all employees working 1,000 hours or more per year. The normal retirement benefit of the plan is a monthly retirement income, which is computed based on years of service and a percentage of highest (five-year) average compensation up to the date the plan was frozen. Contributions to the plan are determined as amounts necessary to provide for benefits attributed to service to date and those expected to be earned in the future.

Under U.S. GAAP, the Center is required to recognize the overfunded or underfunded status of a defined benefit pension plan as an asset or liability in its statement of financial position.

| | Pension Benefits | |
|---|---|---|
| | 2015 | 2014 |
| **Change in Benefit Obligation** | | |
| Balance at beginning of year | $ 2,677,456 | $ 2,354,312 |
| Interest cost | 110,060 | 102,066 |
| Benefits paid | (192,085) | (83,848) |
| Assumption changes | 39,815 | 151,449 |
| Actuarial (gain) loss | (24,626) | 146,145 |
| Amendments | - | 7,332 |
| Projected benefit obligation at end of year | $ 2,610,620 | $ 2,677,456 |

| | 2015 | 2014 |
|---|---|---|
| **Change in Plan Assets** | | |
| Fair value of plan assets at beginning of year | $ 2,526,592 | $ 2,327,005 |
| Actual return on assets | 48,728 | 283,435 |
| Benefits paid | (192,085) | (83,848) |
| Fair value of plan assets at end of year | $ 2,383,235 | $ 2,526,592 |
| Funded status - Long-term liability | $ (227,385) | $ (150,864) |

Amounts included in unrestricted net assets as of June 30, 2015 and 2014 that have not yet been recognized in the Center's operations consist of the following:

| | 2015 | 2014 |
|---|---|---|
| Unrecognized net actuarial loss | $ 541,818 | $ 393,075 |

## Note 5 - Pension Plan (Continued)

Changes in plan assets and benefit obligations recognized in unrestricted net assets during the years ended June 30, 2015 and 2014 include:

| | 2015 | 2014 |
|---|---|---|
| Current year actuarial loss | $ 164,438 | $ 205,709 |
| Amortization of actuarial loss | (15,695) | 1,815 |
| Amortization of prior service credit | - | 7,332 |
| Total | $ 148,743 | $ 214,856 |

Net periodic benefit income is the allocated amount of the expense categories on the statement of activities and changes in net assets. Components of net periodic benefit cost (income) in 2015 and 2014 include:

| | Pension Benefits | |
|---|---|---|
| | 2015 | 2014 |
| **Net Periodic Benefit Cost** | | |
| Interest cost | $ 110,060 | $ 102,066 |
| Expected return on plan assets | (197,977) | (191,550) |
| Amortization of actuarial gain (loss) | 15,695 | (1,815) |
| Net periodic benefit income | $ (72,222) | $ (91,299) |

The prior service credit and actuarial loss are included in unrestricted net assets and the amount expected to be recognized in net periodic pension cost during the year ended June 30, 2015 is as follows:

| | 2014 |
|---|---|
| Actuarial loss | $ 20,000 |

### Assumptions

Weighted average assumptions used to determine benefit obligations at June 30:

| | Pension Benefits | |
|---|---|---|
| | 2015 | 2014 |
| Discount rate | 4.50 % | 4.40 % |
| Rate of return on plan assets | 8.50 | 8.50 |

## Note 5 - Pension Plan (Continued)

The Ascension Health pension plan's asset allocation and investment strategies are designed to earn superior returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors, and manager styles to minimize the risk of large losses. Derivatives may be used to bridge specific exposure, reduce transaction costs, or modify the portfolio's duration or yield. The plan uses investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. Ascension Health regularly monitors manager performance and compliance with investment guidelines.

The weighted average asset allocations for the plan as of June 30, 2015 and 2014 and the target allocation for fiscal years ended June 30, 2015 and 2014, by asset category, are as follows:

| | Target | | Percentage of Plan Assets at Year End | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Equity securities | 50.00 % | 50.00 % | 53.00 % | 53.00 % |
| Fixed income | 30.00 | 30.00 | 29.00 | 29.00 |
| Alternative investments | 20.00 | 20.00 | 18.00 | 18.00 |
| Total | 100.00 % | 100.00 % | 100.00 % | 100.00 % |

### Pension Plan Assets

The Center’s plan assets are reported at fair value, using the fair value hierarchy as disclosed in Note 2. The following table represents the plan assets of Ascension Health Master Pension Plan (the "Master Plan") set forth by level within the fair value hierarchy that were accounted for at fair value on a recurring basis as of June 30, 2015 and 2014. The Center’s plan is approximately 0.04 percent of the Master Plan as of June 30, 2015 and 2014.

### Cash Flow

### Contributions

Employer contributions for the year ending June 30, 2016 are expected to be $0.

## Note 5 - Pension Plan (Continued)

**Estimated Future Benefit Payments** - The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

| Years Ending | Pension Benefits |
|---|---|
| 2016 | $ 300,000 |
| 2017 | 300,000 |
| 2018 | 300,000 |
| 2019 | 300,000 |
| 2020 | 300,000 |
| 2021-2025 | 1,400,000 |

## Note 5 - Pension Plan (Continued)

The fair values of Ascension Health Master Pension Plan assets at June 30, 2015 and 2014 by major asset classes are as follows:

**Fair Value Measurements at June 30, 2015**
**(in thousands)**

| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Pooled short-term investment funds | $ 238,019 | $ 238,019 | $ - | $ - |
| Foreign currency | 137,132 | 137,132 | - | - |
| U.S. government, state, municipal, and agency obligations | 1,300,906 | - | 1,300,906 | - |
| Asset-backed securities: | | | | |
| U.S. agency | 73,516 | - | 73,516 | - |
| Corporate | 101,871 | - | 82,229 | 19,642 |
| Corporate and foreign government fixed maturities: | | | | |
| United States | 477,745 | - | 474,428 | 3,317 |
| International | 59,135 | - | 59,074 | 61 |
| Equity securities: | | | | |
| United States | 708,276 | 708,022 | 221 | 33 |
| International | 716,551 | 716,111 | 95 | 345 |
| Real estate investment trusts | 38,838 | 37,625 | 1,213 | - |
| Alternative investments | | | | |
| Derivatives receivable: | | | | |
| Interest rate | 34,772 | 3 | 34,769 | - |
| Foreign exchange | 1 | 1 | - | - |
| Equity | 3,728 | - | - | 3,728 |
| Commodity | 1,724 | - | - | 1,724 |
| Collateral received under securities lending program | 279,653 | - | 279,653 | - |
| Derivatives payable: | | | | |
| Interest rate | (132,540) | (45) | (132,495) | - |
| Foreign exchange | (9) | (9) | - | - |
| Equity | (13,251) | - | - | (13,251) |
| Commodity | (952) | - | - | (952) |
| Total | $ 4,025,115 | $ 1,836,859 | $ 2,173,609 | $ 14,647 |

## Note 5 - Pension Plan (Continued)

**Fair Value Measurements at June 30, 2014**
**(in thousands)**

| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Pooled short-term investment funds | $ 193,141 | $ 193,141 | $ - | $ - |
| Foreign currency | (14,087) | (14,087) | - | - |
| Commercial paper | 400 | - | 400 | - |
| U.S. government, state, municipal, and agency obligations | 1,699,973 | - | 1,699,973 | - |
| Asset-backed securities: | | | | |
| U.S. agency | 84,199 | - | 84,199 | - |
| Corporate | 104,162 | - | 80,042 | 24,120 |
| Corporate and foreign government fixed maturities: | | | | |
| United States | 487,031 | - | 478,384 | 8,647 |
| International | 102,273 | - | 62,990 | 39,283 |
| Equity securities: | | | | |
| United States | 644,325 | 643,469 | 856 | - |
| International | 829,446 | 766,924 | 60,584 | 1,938 |
| Real estate investment trusts | 66,770 | 64,925 | 1,845 | - |
| Alternative investments: | | | | |
| Hedge funds | 1,434,640 | - | - | 1,434,640 |
| Private equity | 655,066 | - | - | 655,066 |
| Real estate | 229,435 | - | - | 229,435 |
| Commodities | 296,057 | - | - | 296,057 |
| Derivatives receivable: | | | | |
| Interest rate | 15,460 | 4 | 15,270 | 186 |
| Foreign exchange | 2 | 2 | - | - |
| Equity | 18,141 | - | - | 18,141 |
| Credit | 1,110 | - | - | 1,110 |
| Collateral received under securities lending program | 295,203 | - | 295,203 | - |
| Derivatives payable: | | | | |
| Interest rate | (161,439) | (11) | (161,176) | (252) |
| Foreign exchange | (14) | (14) | - | - |
| Equity | (2,733) | - | - | (2,733) |
| Total | $ 6,978,561 | $ 1,654,353 | $ 2,618,570 | $ 2,705,638 |

Level 1 Inputs

Fair value for equity securities is determined by external fund managers based on quoted market prices in active markets.

## Note 5 - Pension Plan (Continued)

Level 2 Inputs

Fair values of investments in U.S. government, state, municipal and agency obligations, asset-backed securities, and corporate and foreign government fixed maturities are primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Fair value for derivative assets and liabilities is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturities, and recovery rates.

Level 3 Inputs

Alternative investments, including hedge funds, private equity funds, real estate funds, and commodity funds, are valued using the net asset value approach to approximate fair value as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**
**(in thousands)**

| | U.S. Government, State, Municipal, and Agency Obligations | Asset-backed Securities | Corporate and Foreign Government Fixed Maturities | Equity Securities | Derivatives | Alternative Investments | Total |
|---|---|---|---|---|---|---|---|
| Beginning balance at June 30, 2014 | $ - | $ 24,120 | $ 47,930 | $ 1,938 | $ 16,452 | $ 2,615,198 | $ 2,705,638 |
| Actual return on plan assets: | | | | | | | |
| Relating to assets still held at the reporting date | - | 611 | (481) | 783 | 15,966 | - | 16,879 |
| Relating to assets sold during the period | - | (1,127) | 832 | (947) | (25,697) | - | (26,939) |
| Purchases | - | 16,263 | 4,397 | 332 | 8,191,844 | - | 8,212,836 |
| Sales | - | (15,364) | (49,825) | (2,082) | (8,207,315) | (2,615,198) | 10,889,784) |
| Transfers into Level 3 | - | - | 525 | 353 | - | - | 878 |
| Transfers out of Level 3 | - | (4,861) | - | - | - | - | (4,861) |
| Ending balance at June 30, 2015 | $ - | $ 19,642 | $ 3,378 | $ 377 | $ (8,750) | $ - | $ 14,647 |

## Note 5 - Pension Plan (Continued)

**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**
**(in thousands)**

| | U.S. Government, State, Municipal, and Agency Obligations | Asset-backed Securities | Corporate and Foreign Government Fixed Maturities | Equity Securities | Derivatives | Alternative Investments | Total |
|---|---|---|---|---|---|---|---|
| Beginning balance at June 30, 2013 | $ 1,269 | $ 22,871 | $ 53,807 | $ 1,651 | $ (228,260) | $ 2,423,451 | $ 2,274,789 |
| Actual return on plan assets: | | | | | | | |
| Relating to assets still held at the reporting date | (134) | 919 | 3,251 | 526 | 27,224 | 144,112 | 175,898 |
| Relating to assets sold during the period | 156 | 264 | 2,542 | 5 | 96,100 | 36,571 | 135,638 |
| Purchases | - | 22,564 | 52,257 | 373 | 9,942 | 317,126 | 402,262 |
| Sales | (1,291) | (5,932) | (61,299) | (724) | (105,952) | (306,062) | (481,260) |
| Transfers into Level 3 | - | 123 | - | 757 | - | - | 880 |
| Transfers out of Level 3 | - | (16,689) | (2,628) | (650) | 217,398 | - | 197,431 |
| Ending balance at June 30, 2014 | $ - | $ 24,120 | $ 47,930 | $ 1,938 | $ 16,452 | $ 2,615,198 | $ 2,705,638 |

## Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 are restricted for the following:

| | 2015 | 2014 |
|---|---|---|
| Hope Junior program | $ 170,723 | $ 102,303 |
| Thrift store renovation | 141,922 | 244,876 |
| Social services | 7,200 | 5,000 |
| Literacy program | 10,365 | 10,365 |
| Senior services | - | 3,030 |
| Family services | 25,500 | 16,191 |
| Preschool/Toddler program | 1,242 | 1,242 |
| Total temporarily restricted net assets | $ 356,952 | $ 383,007 |

## Note 7 - Donated Facilities and Services

The Center has a land lease agreement for $120,000 per year from the Daughters of Charity Ministries, Inc. for the use of the buildings and the land on which the buildings reside. The license financial charges have been waived by the Daughters of Charity Ministries, Inc. for the years ended June 30, 2015 and 2014.

Generally accepted accounting principles require an organization to recognize as revenue the fair value of donated services from individuals and facilities and the corresponding expenses. The amount recognized as rent for the building and land is $1,248,000 and $1,948,200 for the years ended June 30, 2015 and 2014, respectively. The in-kind rent expense is included in occupancy expense on the statement of functional expenses.

During the year ended June 30, 2015, the Center received in-kind legal services from a law firm. This is included in the in-kind contributions and professional fee expenses.

No amounts have been reflected in the financial statements for donated services from individuals received by the Center. Many individuals volunteer their time and perform a variety of tasks that assist the Center with specific assistance programs, campaign solicitations, and various committee assignments. The Center pays for most services requiring specific expertise.

## Note 8 - Concentrations

The Center receives a portion of its support from the State of Illinois. This support totaled 27 and 18 percent of total revenue for the fiscal years ended June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, the Center has receivables from the Illinois Department of Human Services amounting to $219,806 and $168,552, respectively.

Beginning July 1, 2015 through the date of this report, the State of Illinois is operating without an approved budget. The impact of this delayed budget approval is unknown. However, the State has been complying with court mandates and submitting timely payments to the Center since July 1, 2015.

## Note 9 - Subsequent Event

On October 14, 2015, Marillac St. Vincent Family Services, Inc. and Marillac St. Vincent Ministries, Inc. entered into a loan agreement with a bank for a revolving line of credit not to exceed $3,000,000. The term of the line of credit is one year.