

**MISSION OF MERCY ARIZONA  
HEALTH PARTNERSHIP FUND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018 AND THE PERIOD  
FROM INCEPTION (AUGUST 2, 2016) TO JUNE 30, 2017**



**CPAs &  
BUSINESS  
ADVISORS**

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## INDEPENDENT AUDITORS' REPORT

November 5, 2018

Board of Directors  
Mission of Mercy Arizona Health Partnership Fund  
Phoenix, Arizona

We have audited the accompanying financial statements of Mission of Mercy Arizona Health Partnership Fund (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2018 and the period from inception (August 2, 2016) to June 30, 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission of Mercy Arizona Health Partnership Fund as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended June 30, 2018 and the period from inception (August 2, 2016) to June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

*RLH CPAs & Business Advisors, LLC*

Frederick, Maryland

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 10,420	\$ 6,000
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$685 and \$-0-, respectively)	<u>4,036</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>14,456</b></u>	<u><b>6,000</b></u>
<b>OTHER ASSETS</b>		
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$6,878 and \$-0-, respectively)	<u>37,478</u>	<u>-</u>
<b>TOTAL OTHER ASSETS</b>	<u><b>37,478</b></u>	<u><b>-</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 51,934</b></u>	<u><b>\$ 6,000</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 360	\$ -
Accrued Expenses	<u>952</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u><b>1,312</b></u>	<u><b>-</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>1,312</b></u>	<u><b>-</b></u>
<b>NET ASSETS</b>		
Unrestricted	9,108	6,000
Temporarily Restricted	<u>41,514</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u><b>50,622</b></u>	<u><b>6,000</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 51,934</b></u>	<u><b>\$ 6,000</b></u>

See Accompanying Notes

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018 AND THE PERIOD FROM INCEPTION (AUGUST 2, 2016) TO JUNE 30, 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT</b>						
Contributions	\$ 87,424	\$ 41,514	\$ 128,938	\$ 6,000	\$ -	\$ 6,000
Donated Services	1,600	-	1,600	-	-	-
<b>TOTAL SUPPORT</b>	<b>89,024</b>	<b>41,514</b>	<b>130,538</b>	<b>6,000</b>	<b>-</b>	<b>6,000</b>
<b>EXPENSES AND LOSSES</b>						
Program Service	60,583	-	60,583	-	-	-
Management and General	13,494	-	13,494	-	-	-
Fundraising	11,839	-	11,839	-	-	-
<b>TOTAL EXPENSES AND LOSSES</b>	<b>85,916</b>	<b>-</b>	<b>85,916</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>3,108</b>	<b>41,514</b>	<b>44,622</b>	<b>6,000</b>	<b>-</b>	<b>6,000</b>
Net Assets - Beginning of Year	6,000	-	6,000	-	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 9,108</b>	<b>\$ 41,514</b>	<b>\$ 50,622</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 6,000</b>

See Accompanying Notes

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2018 AND THE PERIOD FROM INCEPTION (AUGUST 2, 2016) TO JUNE 30, 2017**

	2018				2017			
	Program Service	Supporting Services		Total Functional Expenses	Program Service	Supporting Services		Total Functional Expenses
		Management and General	Fundraising			Management and General	Fundraising	
Salaries	\$ -	\$ 3,074	\$ 5,050	\$ 8,124	\$ -	\$ -	\$ -	\$ -
Employee Benefits	-	455	732	1,187	-	-	-	-
Payroll Taxes	-	277	339	616	-	-	-	-
Donated Services	-	1,600	-	1,600	-	-	-	-
Grants to Supported Organization	60,583	-	-	60,583	-	-	-	-
Insurance	-	885	-	885	-	-	-	-
Office Supplies	-	2,348	388	2,736	-	-	-	-
Postage and Printing	-	275	4,328	4,603	-	-	-	-
Professional Fees	-	1,900	1,002	2,902	-	-	-	-
Rent	-	2,680	-	2,680	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 60,583</b>	<b>\$ 13,494</b>	<b>\$ 11,839</b>	<b>\$ 85,916</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See Accompanying Notes

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018 AND THE PERIOD FROM INCEPTION**  
**(AUGUST 2, 2016) TO JUNE 30, 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Inflows:		
Receipts from Contributions	\$ 87,424	\$ 6,000
Outflows:		
Payments to Employees	7,172	-
Payments to Suppliers	15,249	-
Payments to Supported Organization	60,583	-
	83,004	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,420</b>	<b>6,000</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,420</b>	<b>6,000</b>
Cash and Cash Equivalents - Beginning of Year	6,000	-
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 10,420</b>	<b>\$ 6,000</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net Income	\$ 44,622	\$ 6,000
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Increase in:		
Unconditional Promises to Give	(41,514)	-
Increase in:		
Accounts Payable	360	-
Accrued Expenses	952	-
Total Adjustments	(40,202)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 4,420</b>	<b>\$ 6,000</b>

See Accompanying Notes



**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Accounting Policies**

*Nature of Activities*

Mission of Mercy Arizona Health Partnership Fund (the “Organization”) is a nonprofit organization, which operates exclusively for the benefit of its parent organization, Mission of Mercy, Inc., an Arizona nonprofit corporation. The Organization was established as of August 2, 2016, and the Internal Revenue Service recognized the Organization as a public charity as of that date. Contributions to the Organization qualify for the *Credit for Contributions to Qualifying Charitable Organizations* for Arizona personal income tax purposes.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

*Unconditional Promises to Give*

Contributions are recognized at their fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Gains and losses from changes in fair value are included in the contributions line of the statements of activities. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows, as management believes that this is the most accurate method of reporting the receivables and related revenues.

*Contributions*

Support and revenue are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases the applicable net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS**

All other 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 as net assets released from restriction.

*Donated Services*

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the year ended June 30, 2018, donated professional services valued at \$1,600 to the Organization were recognized. The Organization valued these services using the specific charitable write-downs from professional services invoices. There were no donated services for the period ended June 30, 2017.

*Net Assets*

The Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

*Unrestricted Net Assets*

Unrestricted net assets are resources that are currently available for support of the Organization's operations and are not subject to donor-imposed restrictions.

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are resources that may be utilized only in accordance with the restricted purposes established by the donor. The restriction may require passage of time or the occurrence of a specific event in order to trigger the release of the restriction. The Organization considers all contributions that are designated to a particular purpose to be transferred to unrestricted net assets when the terms of the restrictions have been met.

*Permanently Restricted Net Assets*

Permanently restricted net assets are resources subject to donor-imposed restrictions and must be maintained permanently.

The Organization had no permanently restricted net assets as of June 30, 2018 or 2017.

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS**

Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

For the initial period of operations ended June 30, 2017, the organization did not incur any expenditures.

Tax-Exempt Status

The Organization is incorporated under the laws of the State of Arizona as a nonprofit organization. The Organization has elected under provisions of Internal Revenue Code (IRC) Section 501(c)(3) and state income tax statutes to be excluded from taxes on exempt function income. Therefore, no provision is made for taxes on income.

The Organization is a Type I supporting organization under IRC Section 509(a)(3), and is operated, supervised, and controlled by its parent organization, Mission of Mercy, Inc.

Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 5, 2018, the date the financial statements were available to be issued.

**Note 2. Cash and Cash Equivalents**

The Organization maintains its cash deposits in a financial institution. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2018, the Organization had no amounts in excess of insured limits.

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Concentration of Contributions**

The Organization relies entirely on public and private donations to operate. All contributions received during the initial period ended June 30, 2017 were from the parent organization. There was no concentration of contributions for the year ended June 30, 2018.

**Note 4. Unconditional Promises to Give**

The Organization uses a fundraising model that has resulted in receiving unconditional promises to give over time to benefit the Organization. As of June 30, 2018, collections were expected pertaining to multi-year commitments in each fiscal year ending June 30:

2019	\$ 4,721
2020	13,896
2021	12,896
2022	12,796
2023	<u>7,816</u>
	...52,125
Less: Discounts to Net Present Value (See Note 6)	3,048
Less: Allowance for Uncollectible Promises Receivable (See Note 6)	<u>7,563</u>
Net Unconditional Promises to Give	<u>\$ 41,514</u>

**Note 5. Net Assets - Restrictions**

As of June 30, 2018, temporarily restricted net assets total \$41,514. The restrictions are in place because these are net unconditional promises to give that have been recognized as revenue for the year ended June 30, 2018. The funds are not restricted for a specific purpose but cannot be spent until the Organization receives the donations.

**Note 6. Fair Value Measurements**

The Organization uses a framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value using a fair value hierarchy. The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2018: those using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3). The Organization has no assets categorized as Level 1 or Level 3.

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization values unconditional promises to give using the income approach, which utilizes valuation techniques (the present value method, a Level 2 measurement) to convert future amounts to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. The Organization discounts future cash flows by the risk-free interest rate of 2.86% as of June 30, 2018 to determine the net present value of the promises to give. The carrying amount of these unconditional promises to give is reduced by an additional valuation allowance that reflects the Organization's best estimate of collectability, determined principally on the basis of Mission of Mercy, Inc.'s historical experience while also recognizing the good faith and reliability of its donors. As of June 30, 2018, unconditional promises to give to the Organization were discounted by an additional 14.51%. There were no unconditional promises to give as of June 30, 2017.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

**Note 7. Related Party Transactions**

The Organization's Board of Directors is appointed by the Board of Directors of Mission of Mercy, Inc. Employees of Mission of Mercy, Inc. provide services to the operations of the Organization, and Mission of Mercy, Inc. allocates a portion of certain expenses that relate to the Organization's operations. In both cases, Mission of Mercy, Inc. initially pays the expense, and the Organization reimburses Mission of Mercy, Inc.