

MISSION OF MERCY ARIZONA  
HEALTH PARTNERSHIP FUND

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FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
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 statement of financial position as of June 30, 2019 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission of Mercy Arizona Health Partnership Fund as of June 30, 2019, and the changes 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.

## **Prior Period Financial Statements**

The financial statements as of June 30, 2018, were audited by RLH CPAs & Business Advisors, LLC, who merged with Brown Schultz Sheridan & Fritz as of June 1, 2019, and whose report dated November 5, 2018, expressed an unmodified opinion on those statements.

*Brown Schultz Sheridan & Fritz*

Frederick, Maryland  
November 20, 2019

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,774	\$ 10,420
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$311 and \$685, respectively)	<u>2,004</u>	<u>4,036</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>8,778</b></u>	<u><b>14,456</b></u>
<b>OTHER ASSETS</b>		
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$7,549 and \$6,878, respectively)	<u>46,388</u>	<u>37,478</u>
<b>TOTAL OTHER ASSETS</b>	<u><b>46,388</b></u>	<u><b>37,478</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 55,166</b></u>	<u><b>\$ 51,934</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 616	\$ 360
Accrued Expenses	<u>961</u>	<u>952</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u><b>1,577</b></u>	<u><b>1,312</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>1,577</b></u>	<u><b>1,312</b></u>
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	5,197	9,108
Net Assets With Donor Restrictions	<u>48,392</u>	<u>41,514</u>
<b>TOTAL NET ASSETS</b>	<u><b>53,589</b></u>	<u><b>50,622</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 55,166</b></u>	<u><b>\$ 51,934</b></u>

See Notes to Financial Statements

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT</b>						
Contributions	\$ 91,695	\$ 27,264	\$ 118,959	\$ 87,424	\$ 41,514	\$ 128,938
Donated Services	3,000	-	3,000	1,600	-	1,600
Restrictions Satisfied by Payments	20,386	(20,386)	-	-	-	-
<b>TOTAL SUPPORT</b>	<b>115,081</b>	<b>6,878</b>	<b>121,959</b>	<b>89,024</b>	<b>41,514</b>	<b>130,538</b>
<b>EXPENSES</b>						
Program Service	83,093	-	83,093	60,583	-	60,583
Management and General	20,169	-	20,169	13,494	-	13,494
Fundraising	15,730	-	15,730	11,839	-	11,839
<b>TOTAL EXPENSES</b>	<b>118,992</b>	<b>-</b>	<b>118,992</b>	<b>85,916</b>	<b>-</b>	<b>85,916</b>
<b>CHANGE IN NET ASSETS</b>	<b>(3,911)</b>	<b>6,878</b>	<b>2,967</b>	<b>3,108</b>	<b>41,514</b>	<b>44,622</b>
Net Assets - Beginning of Year	9,108	41,514	50,622	6,000	-	6,000
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 5,197</b>	<b>\$ 48,392</b>	<b>\$ 53,589</b>	<b>\$ 9,108</b>	<b>\$ 41,514</b>	<b>\$ 50,622</b>

See Notes to Financial Statements

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019				2018			
	Program Service	Supporting Services		Total Functional Expenses	Program Service	Supporting Services		Total Functional Expenses
		Management and General	Fundraising			Management and General	Fundraising	
Salaries	\$ -	\$ 4,784	\$ 3,653	\$ 8,437	\$ -	\$ 3,074	\$ 5,050	\$ 8,124
Employee Benefits	-	1,222	66	1,288	-	455	732	1,187
Payroll Taxes	-	518	221	739	-	277	339	616
Donated Services	-	3,000	-	3,000	-	1,600	-	1,600
Grants to Supported Organization	83,093	-	-	83,093	60,583	-	-	60,583
Insurance	-	885	-	885	-	885	-	885
Occupancy	-	3,031	-	3,031	-	2,680	-	2,680
Office Expenses	-	2,390	2,357	4,747	-	2,348	388	2,736
Postage and Printing	-	-	8,618	8,618	-	275	4,328	4,603
Professional Fees	-	4,300	775	5,075	-	1,900	1,002	2,902
Travel and Entertainment	-	39	40	79	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 83,093</b>	<b>\$ 20,169</b>	<b>\$ 15,730</b>	<b>\$ 118,992</b>	<b>\$ 60,583</b>	<b>\$ 13,494</b>	<b>\$ 11,839</b>	<b>\$ 85,916</b>

See Notes to Financial Statements

**MISSION OF MERCY ARIZONA HEALTH PARTNERSHIP FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Inflows:		
Receipts from Contributions	\$ 112,081	\$ 87,424
Outflows:		
Payments to Employees	8,428	7,172
Payments to Suppliers	24,206	15,249
Grants to Supported Organization	83,093	60,583
	115,727	83,004
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(3,646)</b>	<b>4,420</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,646)</b>	<b>4,420</b>
Cash and Cash Equivalents - Beginning of Year	10,420	6,000
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 6,774</b>	<b>\$ 10,420</b>

See Notes to Financial Statements



**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. 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.

*Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

*Cash and Cash Equivalents*

For purposes of these financial statements, 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. The effect of the change in the market interest rate and historical trends of collection and the corresponding changes in fair value of unconditional promises to give resulted in an increase in contributions revenue of \$1,782 for the year ended June 30, 2019.

*Contributions*

Support is recorded as net assets without donor restrictions or net assets with donor restrictions 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 net assets with donor restrictions support that increases the applicable net asset class. However, if a restriction is fulfilled in the same

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**NOTES TO FINANCIAL STATEMENTS**

time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

All other donor-restricted support 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 statements of activities as net assets restrictions satisfied by payment.

*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 years ended June 30, 2019 and 2018, the Organization recognized donated professional services valued at \$3,000 and \$1,600, respectively. The Organization valued these services using the specific charitable write-downs from professional services invoices.

*Net Assets*

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Resources may also be received with donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

*Functional Expenses*

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. 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.

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**NOTES TO FINANCIAL STATEMENTS**

Advertising

The Organization follows the policy of charging costs of advertising to expense as incurred. For the years ended June 30, 2019 and 2018, advertising expense, presented in office expenses, totaled \$2,357 and \$-0-, respectively.

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.

New Accounting Pronouncement Adopted

The Organization adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which improves the former net asset classification requirements and the information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows. The Statement was effective for fiscal years beginning after December 15, 2017, and resulted in significant enhancement to liquidity disclosures and net asset classifications. The Organization has adjusted the presentation in these financial statements for the years ended June 30, 2019 and 2018 accordingly.

**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, 2019, the Organization had no amounts in excess of insured limits.

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**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Financial Assets and Liquidity Resources**

The following reflects the Organization's financial assets at June 30, 2019, reduced by amounts not available for general use because of donor-imposed restrictions within one year of June 30, 2019:

Cash and Cash Equivalents	\$ 6,774
Unconditional Promises to Give, Current Portion	<u>2,004</u>
Financial assets, as of June 30, 2019	8,778
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>2,004</u>
	<u>\$ 6,774</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**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, 2019, collections were expected pertaining to multi-year commitments as follows:

Less than One Year	\$ 2,315
One to Five Years	<u>56,208</u>
	58,523
Less: Discounts to Net Present Value (See Note 6)	2,271
Less: Allowance for Uncollectible Promises Receivable (See Note 6)	<u>7,860</u>
Net Unconditional Promises to Give	<u>\$ 48,392</u>

**Note 5. Net Assets With Donor Restrictions**

As of June 30, 2019 and 2018, net assets with donor restrictions were \$48,392 and \$41,514, respectively. The restrictions are in place because these are net unconditional promises to give, and although the funds are not restricted for a specific purpose, they cannot be spent until the Organization receives the donations.

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**NOTES TO FINANCIAL STATEMENTS**

**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 years ended June 30, 2019 and 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.

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 2.02% and 2.86% as of June 30, 2019 and 2018, respectively, 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, 2019 and 2018, unconditional promises to give to the Organization were discounted by an additional 13.43% and 14.51%, respectively.

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**

As disclosed in Note 1, the Organization operates exclusively for the benefit of its parent organization, Mission of Mercy, Inc. 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. For the

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**NOTES TO FINANCIAL STATEMENTS**

years ended June 30, 2019 and 2018, the total reimbursed to Mission of Mercy, Inc. for expenses was \$30,453 and \$23,094, respectively.

For the years ended June 30, 2019 and 2018, the total contributed to Mission of Mercy, Inc. was \$83,093 and \$60,583, respectively, and was recorded as grant to supported organization.

**Note 8. Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 20, 2019, the date the financial statements were available to be issued.