

**MISSION OF MERCY, INC. AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**



**CPAs &  
BUSINESS  
ADVISORS**

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## INDEPENDENT AUDITORS' REPORT

November 9, 2017

Board of Directors  
Mission of Mercy, Inc.  
Gettysburg, Pennsylvania

We have audited the accompanying consolidated financial statements of Mission of Mercy, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mission of Mercy, Inc. and Subsidiary as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **New Subsidiary**

As discussed in Note 1 to the financial statements, on August 2, 2016 the Organization started a new supporting organization called the Mission of Mercy Arizona Health Partnership Fund. The June 30, 2017 financial statements have been consolidated to include the new charitable entity. Our opinion is not modified with respect to this matter.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of functional expenses by region, the consolidating schedules of financial position, and the consolidating schedules of activities on pages 23 - 31 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*RLH CPAs & Business Advisors, LLC*

Frederick, Maryland

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 800,828	\$ 400,907
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$6,830 and \$5,393, respectively)	40,134	39,923
Inventory	741,525	1,214,962
Prepaid Expenses	1,461	1,397
<b>TOTAL CURRENT ASSETS</b>	<b>1,583,948</b>	<b>1,657,189</b>
<b>PROPERTY AND EQUIPMENT</b>		
Dental Equipment	38,112	42,230
Medical Equipment	124,218	115,485
Office Equipment	51,275	52,877
Vehicles	859,900	983,053
	1,073,505	1,193,645
Less: Accumulated Depreciation	792,621	905,616
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>280,884</b>	<b>288,029</b>
<b>OTHER ASSETS</b>		
Security Deposit	3,517	3,517
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$30,512 and \$36,214, respectively)	193,944	259,777
<b>TOTAL OTHER ASSETS</b>	<b>197,461</b>	<b>263,294</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,062,293</b>	<b>\$ 2,208,512</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 40,637	\$ 89,112
Accrued Payroll Taxes	8,660	7,416
Accrued Salaries	116,069	97,022
Line of Credit	300,000	125,076
<b>TOTAL CURRENT LIABILITIES</b>	<b>465,366</b>	<b>318,626</b>
<b>TOTAL LIABILITIES</b>	<b>465,366</b>	<b>318,626</b>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	374,292	1,019,577
Board Designated	4,584	4,583
Total Unrestricted	378,876	1,024,160
Temporarily Restricted	1,218,051	865,726
<b>TOTAL NET ASSETS</b>	<b>1,596,927</b>	<b>1,889,886</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,062,293</b>	<b>\$ 2,208,512</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND GAINS</b>						
<b>SUPPORT</b>						
Contributions	\$ 2,026,907	\$ 643,972	\$ 2,670,879	\$ 1,447,100	\$ 663,591	\$ 2,110,691
Donated Drugs and Supplies	1,658,542	-	1,658,542	1,919,959	-	1,919,959
Donated Facilities	135,238	-	135,238	141,142	-	141,142
Donated Lab and X-Ray Services	1,804,479	-	1,804,479	2,036,368	-	2,036,368
Donated Services	1,734,058	-	1,734,058	1,741,009	-	1,741,009
Indigent Drug Program	568,252	-	568,252	798,995	-	798,995
<b>TOTAL SUPPORT</b>	<b>7,927,476</b>	<b>643,972</b>	<b>8,571,448</b>	<b>8,084,573</b>	<b>663,591</b>	<b>8,748,164</b>
<b>REVENUE AND GAINS</b>						
Special Events	235,933	-	235,933	280,880	-	280,880
Miscellaneous Revenues	892	-	892	636	-	636
Interest Income	1,339	-	1,339	1,096	-	1,096
Gain on Asset Disposal	3,400	-	3,400	3,811	-	3,811
<b>TOTAL REVENUE AND GAINS</b>	<b>241,564</b>	<b>-</b>	<b>241,564</b>	<b>286,423</b>	<b>-</b>	<b>286,423</b>
<b>RESTRICTIONS SATISFIED BY PAYMENTS AND EXPIRATION OF TIME</b>	<b>291,647</b>	<b>(291,647)</b>	<b>-</b>	<b>670,043</b>	<b>(670,043)</b>	<b>-</b>
<b>TOTAL SUPPORT, REVENUE, AND GAINS</b>	<b>8,460,687</b>	<b>352,325</b>	<b>8,813,012</b>	<b>9,041,039</b>	<b>(6,452)</b>	<b>9,034,587</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>EXPENSES AND LOSSES</b>						
Program Services	7,804,059	-	7,804,059	7,710,957	-	7,710,957
Management and General	437,569	-	437,569	443,052	-	443,052
Fundraising	773,190	-	773,190	484,095	-	484,095
Special Events	91,153	-	91,153	90,431	-	90,431
Loss on Investment	-	-	-	115	-	115
<b>TOTAL EXPENSES AND LOSSES</b>	<b>9,105,971</b>	<b>-</b>	<b>9,105,971</b>	<b>8,728,650</b>	<b>-</b>	<b>8,728,650</b>
<b>CHANGE IN NET ASSETS</b>	<b>(645,284)</b>	<b>352,325</b>	<b>(292,959)</b>	<b>312,389</b>	<b>(6,452)</b>	<b>305,937</b>
Net Assets - Beginning of Year	1,024,160	865,726	1,889,886	711,771	872,178	1,583,949
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 378,876</b>	<b>\$1,218,051</b>	<b>\$1,596,927</b>	<b>\$1,024,160</b>	<b>\$ 865,726</b>	<b>\$1,889,886</b>

See Accompanying Notes



**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017						2016					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Medical Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses	Medical Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses
Salaries	\$ 815,300	\$ 40,556	\$ 855,856	\$ 181,353	\$ 370,327	\$ 1,407,536	\$ 720,822	\$ 56,192	\$ 777,014	\$ 180,396	\$ 177,906	\$ 1,135,316
Employee Benefits	100,469	5,409	105,878	20,038	54,953	180,869	95,935	6,261	102,196	20,688	22,868	145,752
Payroll Taxes	65,920	3,171	69,091	14,212	28,787	112,090	56,616	4,290	60,906	14,211	14,243	89,360
Advertising	-	-	-	-	964	964	-	-	-	50	120	170
Bank Charges	7,597	2,561	10,158	17,152	7,513	34,823	6,630	2,233	8,863	16,109	6,555	31,527
Board and Committee Expense	785	219	1,004	1,605	3,148	5,757	1,236	36	1,272	2,620	144	4,036
Books and Subscriptions	9,736	1,585	11,321	2,789	9,557	23,667	7,131	770	7,901	450	7,104	15,455
Clinic Supplies	17,414	-	17,414	-	-	17,414	15,876	-	15,876	-	-	15,876
Consultants	4,800	27,000	31,800	-	-	31,800	19,127	23,875	43,002	7,480	4,000	54,482
Dental Supplies	4,102	-	4,102	-	-	4,102	3,753	-	3,753	-	-	3,753
Depreciation	59,186	101	59,287	2,119	298	61,704	96,937	118	97,055	3,833	345	101,233
Donated Drugs and Supplies	2,199,716	-	2,199,716	-	-	2,199,716	1,515,617	-	1,515,617	-	-	1,515,617
Donated Facilities	105,112	500	105,612	28,160	1,466	135,238	124,612	580	125,192	14,250	1,700	141,142
Donated Lab and X-Ray Services	1,804,479	-	1,804,479	-	-	1,804,479	2,036,368	-	2,036,368	-	-	2,036,368
Donated Services	1,671,882	6,377	1,678,259	35,839	19,960	1,734,058	1,713,729	3,822	1,717,551	12,247	11,211	1,741,009
Donor Development	-	-	-	-	39,542	39,542	-	-	-	-	16,999	16,999
Dues and Memberships	559	261	820	2,341	987	4,148	2,027	76	2,103	2,216	1,095	5,414
Equipment Leasing	5,545	1,986	7,531	5,596	5,345	18,472	5,747	1,937	7,684	5,679	4,428	17,791
Indigent Drug Program	517,989	-	517,989	-	-	517,989	787,502	-	787,502	-	-	787,502
Insurance	53,375	576	53,951	5,770	2,575	62,296	50,810	82	50,892	3,036	239	54,167
Interest	-	-	-	5,599	-	5,599	-	-	-	9,781	-	9,781
Lab Services	-	-	-	-	-	-	-	-	-	-	-	-
License and Registration	8,354	41	8,395	2,091	5,273	15,759	11,326	253	11,579	2,395	500	14,474
Medical Supplies	26,990	-	26,990	-	-	26,990	24,487	-	24,487	-	-	24,487
Medications	60,246	-	60,246	-	-	60,246	77,669	-	77,669	-	-	77,669
Miscellaneous	6,210	73	6,283	4,136	476	10,895	19,955	149	20,104	2,661	916	23,681
Network Hosting	365	8	373	366	21	760	17,636	1,240	18,876	13,459	3,607	35,942
Office Supplies	-	124	124	12,938	5,011	18,073	-	1,329	1,329	12,070	1,573	14,972
Patient and Client Programs	-	7,611	7,611	-	-	7,611	-	12,710	12,710	-	-	12,710
Postage	1,004	85	1,089	4,961	11,894	17,944	1,266	50	1,316	5,590	7,817	14,723
Printing	4,958	85	5,043	8,486	21,012	34,541	4,829	712	5,541	5,461	21,350	32,352
Professional Fees	26,933	11,611	38,544	23,011	133,074	194,629	58,878	12,205	71,083	47,597	127,981	246,661
Rent	31,636	5,967	37,603	25,599	26,156	89,358	33,516	12,943	46,459	24,255	26,643	97,357
Repairs and Maintenance	24,354	-	24,354	-	-	24,354	13,460	-	13,460	619	-	14,079
Telephone	13,378	2,697	16,075	10,679	8,227	34,981	10,156	2,314	12,470	9,057	6,527	28,054
Travel and Entertainment	23,597	3,847	27,444	17,873	15,709	61,026	16,581	4,015	20,596	19,295	16,602	56,493
Tuition and Education	1,329	-	1,329	374	625	2,328	2,279	-	2,279	4,471	950	7,700
Uniforms	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	2,084	68	2,152	4,482	290	6,924	2,858	277	3,135	3,076	672	6,883
Vehicle Expense	6,136	-	6,136	-	-	6,136	7,117	-	7,117	-	-	7,117
<b>TOTAL EXPENSES</b>	<b>\$ 7,681,540</b>	<b>\$ 122,519</b>	<b>\$ 7,804,059</b>	<b>\$ 437,569</b>	<b>\$ 773,190</b>	<b>\$ 9,014,818</b>	<b>\$ 7,562,488</b>	<b>\$ 148,469</b>	<b>\$ 7,710,957</b>	<b>\$ 443,052</b>	<b>\$ 484,095</b>	<b>\$ 8,638,104</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Inflows:		
Receipts from Contributions	\$ 2,736,501	\$ 2,250,608
Receipts from Special Events	235,933	280,880
Miscellaneous Receipts	892	636
Interest Income Received	1,339	981
	2,974,665	2,533,105
Outflows:		
Payments to Employees	1,388,489	1,133,055
Payments to Suppliers	1,222,439	1,140,585
Payments for Special Events	81,982	90,431
Payments for Interest	5,599	9,781
	2,698,509	2,373,852
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>276,156</b>	<b>159,253</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Inflows:		
Proceeds from Sale of Assets	3,400	18,811
Outflows:		
Purchase of Property and Equipment	54,559	114,246
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(51,159)</b>	<b>(95,435)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Inflows:		
Proceeds from Line of Credit	500,000	350,076
Outflows:		
Payments on Line of Credit	325,076	400,000
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>174,924</b>	<b>(49,924)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>399,921</b>	<b>13,894</b>
Cash and Cash Equivalents - Beginning of Year	400,907	387,013
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 800,828</b>	<b>\$ 400,907</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Summary of Accounting Policies**

*Principles of Consolidation*

The consolidated financial statements of Mission of Mercy, Inc. (the “Organization”) include the activities of Mission of Mercy, Inc. and its Subsidiary, the Mission of Mercy Arizona Health Partnership Fund (the “Fund”). All intra-entity transactions have been eliminated in consolidation.

*Nature of Activities*

The Organization is a nonprofit organization which seeks to restore dignity to the sick, poor, and homeless. The primary service program is the provision of basic health services at no charge via mobile healthcare units and a team of licensed healthcare workers. The Organization currently operates clinic sites located in Arizona, Maryland, Pennsylvania, and Texas.

The Organization also operates a community connections program in Maryland, Pennsylvania, and Arizona that works to connect needy individuals with additional resources from other partner organizations. The community connections program promotes general health literacy and provides education in disease management and prevention. The community connections program also helps pre-qualify individuals for other public health assistance programs.

The Internal Revenue Service recognized the Fund as having public charity status as of August 2, 2016, which is also the date the Fund was created. The Fund operates exclusively for the benefit of its parent organization, Mission of Mercy, Inc. Contributions to this Fund qualify as charitable contributions for Arizona state income tax purposes.

*Cash and Cash Equivalents*

For purposes of the statement 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 consolidated 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

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

promises to give resulted in a decrease in contributions of \$7,168 and \$20,302 for the years ended June 30, 2017 and 2016, respectively.

*Inventory*

Inventory of medications are maintained by the Organization and are stated at cost, using the first in, first out method for purchased inventories and the market value for donated and indigent inventories.

*Property and Equipment*

The Organization capitalizes all property and equipment purchases over \$1,000. Property and equipment is depreciated using the straight-line method over the estimated useful life of each asset. Depreciation expense for years ended June 30, 2017 and 2016 was \$61,704 and \$101,233, respectively.

Donations of property and equipment are recorded as revenue (support) at their estimated fair value at the date of donation. Such donations are reported as unrestricted revenue (support) unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted revenue (support).

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

*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 program to be transferred to unrestricted net assets when the terms of the restrictions have been met.

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*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, 2017 or 2016.

*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. Revenues are recorded as services are provided.

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.

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 consolidated statement of activities as net assets released from restriction.

Similarly, all income, gains, and losses from investments of restricted contributions are recognized as unrestricted unless specified as restricted by the donor.

*Donated Drugs and Supplies*

The Organization values donated medications, medical supplies, and other supplies at wholesale or discount supplier prices.

*Donated Facilities*

The Organization uses property leased at below market value or free of charge to provide its services. Management estimates the fair market value of these donated facilities using rates published by real estate brokers in each applicable region and the square footage donated.

*Donated Lab and X-Ray Services*

The consolidated financial statements include donations of laboratory services and x-rays provided by hospitals and laboratories. The services are valued by the Organization at each specific service provider's current rates.

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*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. Donated services are valued based on salary surveys performed by independent entities in each of the three regions the Organization operates and the volunteer hours. Volunteers also provided administrative and fundraising services throughout the year that are not recognized as contributions in the consolidated financial statements since the recognition criteria was not met.

*Indigent Drug Program*

The Organization receives medications through indigent drug programs that are sponsored by various drug manufacturers. The Organization values the medications based on quoted wholesale or discount supplier prices.

*Functional Expenses*

Expenses are charged to program services, management and general, and fundraising on the basis of actual invoices received. 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.

Certain administrative personnel expenses such as salaries, payroll expenses, professional fees, and travel and entertainment are allocated to each functional expense category based upon the responsibilities of the administrative personnel. Rent and utilities are allocated to each functional expense category based upon the use of the space during the applicable year which factors in the responsibilities of the personnel utilizing the space.

*Tax-Exempt Status*

Mission of Mercy, Inc. and Mission of Mercy Arizona Health Partnership Fund are incorporated under the laws of the State of Arizona as nonprofit organizations. Mission of Mercy, Inc. and Mission of Mercy Arizona Health Partnership Fund have 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.

Mission of Mercy Arizona Health Partnership Fund is a Type I supporting organization under IRC Section 509(a)(3). Mission of Mercy Arizona Health Partnership Fund is operated, supervised, and controlled by Mission of Mercy, Inc.

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Estimates

Management uses estimates and assumptions in preparing the consolidated 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.

Reclassifications

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

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 9, 2017, the date the consolidated financial statements were available to be issued.

**Note 2. Cash and Cash Equivalents**

The Organization invests in fairly liquid, high quality securities that are broker insured, Federal Deposit Insurance Corporation (FDIC) insured, and/or are U.S. Government securities. If the Organization receives donated stock, it is liquidated at the first opportunity.

The Organization maintains its cash deposits in several financial institutions. Cash deposits are insured by the FDIC up to \$250,000 for the year ended June 30, 2017. As of June 30, 2017, the cash deposits exceed the limit by \$113,305, representing the maximum loss risk.

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3. 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, 2017, collections were expected pertaining to multi-year commitments in each fiscal year ending June 30:

	2018	\$ 46,964
	2019	107,214
	2020	75,240
	2021	36,140
	2022	13,490
	Thereafter	<u>2,395</u>
		<del>281,443</del>
Less: Discounts to Net Present Value (See Note 10)		10,023
Less: Allowance for Uncollectible Promises Receivable (See Note 10)		<u>37,342</u>
Net Unconditional Promises to Give		<u>\$ 234,078</u>

Net unconditional promises to give by location were as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Maryland/Pennsylvania	\$ 47,688	\$ 85,176
Arizona	125,771	214,524
Texas	<u>60,619</u>	<u>-</u>
	<u>\$ 234,078</u>	<u>\$ 299,700</u>

**Note 4. Inventory**

Inventory consists of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Purchased Drugs and Other Medical Supplies	\$ 27,965	\$ 10,491
Donated Drugs and Other Medical Supplies (See Note 8)	624,205	1,165,379
Indigent Drugs (See Note 9)	<u>89,355</u>	<u>39,092</u>
	<u>\$ 741,525</u>	<u>\$ 1,214,962</u>



**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 5. Line of Credit**

The Organization has a line of credit of \$500,000 that is secured by inventory, equipment, and unconditional promises to give owned by the Organization. As of June 30, 2017, \$200,000 of its line of credit was available. As of June 30, 2017, interest of 4.84% is due and payable monthly; the rate charged is equal to the bank's variable prime rate plus 0.59%.

**Note 6. Net Assets - Restrictions and Designations**

The board has designated unrestricted funds as program development funds in order to have cash readily available to facilitate growth opportunities as they arise. The program development funds as of June 30, 2017 and 2016 were \$4,584 and \$4,583, respectively.

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2017</u>	<u>2016</u>
Arizona		
Clinics	\$ 145,771	\$ 237,150
Development of Arizona Office	-	25,000
Purchase of new mobile van and East Valley Expansion in Arizona	400,000	390,000
Specific Illness Treatment Programs	-	5,000
Maryland/Pennsylvania		
Clinics	140,763	206,326
Purchase of new dental van	385,000	-
Texas		
Clinics	748	2,250
Naming recognition of the new medical building	143,769	-
Technology Upgrade	1,500	-
Other		
Nonprofit Standards for Excellence Accreditation	<u>500</u>	<u>-</u>
	<u>\$ 1,218,051</u>	<u>\$ 865,726</u>

**Note 7. Operating Leases**

The Organization leases office space in Frederick, Maryland; Gettysburg, Pennsylvania; Phoenix, Arizona; and Corpus Christi, Texas. Office rent expense totaled \$89,358 and \$97,357 for the years ended June 30, 2017 and 2016, respectively. These leases expire at various periods from December 2017 to November 2019. Future monthly lease payments range from \$777 to \$3,428.

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Organization also leases a number of copiers. These leases expire at various periods from October 2019 to February 2022. Future monthly lease payments range from \$73 to \$245. Copier lease expense, presented in equipment leasing expense, totaled \$18,472 and \$17,639 for the years ended June 30, 2017 and 2016, respectively.

A summary of total future minimum operating lease payments by fiscal year is as follows:

2018	\$ 68,432
2019	48,708
2020	19,346
2021	2,940
2022	<u>1,960</u>
Total	<u>\$ 141,386</u>

**Note 8. Donated Facilities, Services, and Drugs and Supplies**

During the years ended June 30, 2017 and 2016, the Organization used donated facilities valued at \$135,238 and \$141,142, respectively, for storage of mobile healthcare units and pharmacy items, clinic space, and office space. The donated facilities are recorded as revenue (support) and expense in the consolidated financial statements.

The consolidated financial statements also include donations of laboratory (lab) services and x-rays provided to patients by hospitals and laboratories in the amount of \$1,804,479 and \$2,036,368 for the years ended June 30, 2017 and 2016, respectively. The donated lab and x-ray services are recorded as revenue (support) and expense in the consolidated financial statements.

A large number of volunteers donate significant amounts of their time to the Organization's activities that relate to the Organization's mission. For the years ended June 30, 2017 and 2016, the value of contributed medical services provided by health care professionals has been recorded in the consolidated financial statements as donated services revenue (support) and expense of \$1,652,960 and \$1,702,390, respectively. The Organization values services provided by these professionals at rates comparable to what the Organization would expect to pay for the services. The services recognized in the consolidated financial statements represent 30,263 and 31,544 hours of time contributed for the years ended June 30, 2017 and 2016, respectively. In addition, for the years ended June 30, 2017 and 2016, accountants, attorneys, and other professionals donated services valued at \$81,098 and \$38,619, respectively, to the Organization. The Organization valued these services using the specific charitable write-downs from professional services invoices.

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Additional services for administrative, fundraising, and other purposes were not recorded in the consolidated financial statements because they did not meet the criteria for recognition under accounting rules. These services represent an estimated 19,145 and 17,955 hours for the years ended June 30, 2017 and 2016, respectively.

For the years ended June 30, 2017 and 2016, the Organization recognized revenue (support) from donated drugs and supplies valued at \$1,658,542 and \$1,919,959, respectively, which included donated office equipment valued at \$16,113 and \$-0-, respectively. The donated drugs and supplies amount was also recognized as expense except for the change in the donated drugs and supplies inventory at year end. Donated drugs and supplies inventory as of June 30, 2017 and 2016 was valued at \$624,205 and \$1,165,379, respectively (see Note 4 and 10). These donations were valued by the Organization at wholesale or discount supplier prices.

**Note 9. Indigent Drug Program**

The Organization participates in indigent drug programs sponsored by various drug manufacturers. These programs provide medications to low income patients suffering from chronic illness. The Organization helps the patient complete and submit the application to the drug manufacturers. The medications are sent to the Organization which distributes them to the patient. Since the Organization has set up the medical program to provide ongoing treatment and assessment of the patient, the doctors of the Organization have discretion on what medications are prescribed. The Organization meets this discretion requirement, records the medications as revenue (support) and a corresponding expense in the consolidated financial statements, and values them based on quoted wholesale or discount supplier prices. For the years ended June 30, 2017 and 2016, the Organization recognized revenue from medications received from these programs of \$568,252 and \$798,995, respectively. This amount was also recognized as expense except for the change in the medications in inventory at year end. Indigent drug inventory as of June 30, 2017 and 2016 was valued at \$89,355 and \$39,092, respectively (see Note 4 and 10).

**Note 10. 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, 2017 and 2016: those using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED 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 following is a description of the valuation methodologies used for assets measured at fair value:

*Donated and Indigent Drug Inventories* (see Notes 8 and 9) - Valued at current unadjusted quoted wholesale or discount supplier prices (a Level 1 measurement).

*Unconditional Promises to Give* (see Note 3) - The income approach 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 2.31% and 1.48% as of June 30, 2017 and 2016, 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 historical experience while also recognizing the good faith and reliability of its donors. As of June 30, 2017 and 2016, unconditional promises to give to the Organization were discounted by an additional 11.99% and 11.90%, respectively.

The preceding methods 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.

The Organization has no investments categorized as Level 3 for the years ended June 30, 2017 and 2016.

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Donated Drug Inventory	\$ 624,205	\$ -	\$ 624,205
Indigent Drug Inventory	89,355	-	89,355
Unconditional Promises to Give	-	234,078	234,078
Total Assets at Fair Value	<u>\$ 713,560</u>	<u>\$ 234,078</u>	<u>\$ 947,638</u>
2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Donated Drug Inventory	\$ 1,165,379	\$ -	\$ 1,165,379
Indigent Drug Inventory	39,092	-	39,092
Unconditional Promises to Give	-	299,700	299,700
Total Assets at Fair Value	<u>\$ 1,204,471</u>	<u>\$ 299,700</u>	<u>\$ 1,504,171</u>

**Note 11. Concentration of Contributions**

The Organization relies entirely on public and private donations as well as significant donated services and materials to operate. Approximately 12% and 19% of the Organization's revenue (support) was provided by AmeriCares Foundation, Inc. for the years ended June 30, 2017 and 2016, respectively, all of which was in the form of in-kind donated prescription medications and medical supplies.

Approximately 44% and 59% of the Organization's revenue (support) from the indigent drug program for the years ended June 30, 2017 and 2016, respectively, was related to one particularly high-valued drug.

**Note 12. Retirement Plan**

The Organization operates a 401(k) plan that is funded by participant salary reductions and, if approved by the Board of Directors, discretionary contributions by the employer. The plan covers substantially all employees, although eligibility criteria are maintained. The Organization did not make any contributions for the years ended June 30, 2017 and 2016. This plan is tax exempt and has been approved by the Internal Revenue Service.

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 13. Reconciliations of Change in Net Assets to Net Cash Provided by Operating Activities**

	<u>2017</u>	<u>2016</u>
Change in Net Assets	\$ <u>(292,959)</u>	\$ <u>305,937</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	61,704	101,233
Gain on Asset Disposal	(3,400)	(3,811)
Non-Cash Expense (Income) from Change in Donated and Indigent Drugs Inventory	490,911	(415,835)
(Increase) Decrease in:		
Unconditional Promises to Give	65,622	139,917
Inventory	(17,474)	(490)
Prepaid Expenses	(64)	1,311
Increase (Decrease) in:		
Accounts Payable	(48,475)	28,468
Accrued Payroll Taxes	1,244	262
Accrued Salaries	<u>19,047</u>	<u>2,261</u>
Total Adjustments	<u>569,115</u>	<u>(146,684)</u>
Net Cash Provided by Operating Activities	<u>\$ 276,156</u>	<u>\$ 159,253</u>

## **SUPPLEMENTARY INFORMATION**

MISSION OF MERCY, INC. AND SUBSIDIARY

Schedule "1"

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

MARYLAND/PENNSYLVANIA

	2017						2016					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Medical Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses	Medical Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses
Salaries	\$ 253,168	\$ 13,421	\$ 266,589	\$ 67,124	\$ 122,657	\$ 456,370	\$ 245,472	\$ 17,548	\$ 263,020	\$ 61,607	\$ 91,583	\$ 416,210
Employee Benefits	57,085	2,091	59,176	6,343	19,285	84,804	63,135	3,543	66,678	9,291	14,210	90,179
Payroll Taxes	21,006	1,089	22,095	5,477	10,083	37,655	20,415	1,342	21,757	5,069	7,574	34,400
Advertising	-	-	-	-	375	375	-	-	-	-	120	120
Bank Charges	2,612	871	3,483	6,170	2,612	12,265	2,281	759	3,040	6,363	2,278	11,681
Board and Committee Expense	221	69	290	393	320	1,003	438	12	450	198	74	722
Books and Subscriptions	3,201	603	3,804	779	4,748	9,331	2,466	369	2,835	208	3,605	6,648
Clinic Supplies	8,185	-	8,185	-	-	8,185	7,350	-	7,350	-	-	7,350
Consultants	-	-	-	-	-	-	-	-	-	-	-	-
Dental Supplies	4,102	-	4,102	-	-	4,102	3,753	-	3,753	-	-	3,753
Depreciation	32,115	34	32,149	1,159	103	33,411	28,603	40	28,643	2,790	120	31,553
Donated Drugs and Supplies	1,894,203	-	1,894,203	-	-	1,894,203	1,064,264	-	1,064,264	-	-	1,064,264
Donated Facilities	36,247	170	36,417	27,120	510	64,047	46,869	197	47,066	13,044	592	60,702
Donated Lab and X-Ray Services	365,291	-	365,291	-	-	365,291	745,070	-	745,070	-	-	745,070
Donated Services	592,980	2,168	595,148	6,505	6,505	608,158	604,930	1,299	606,229	3,898	3,898	614,025
Donor Development	-	-	-	-	708	708	-	-	-	-	1,430	1,430
Dues and Memberships	196	63	259	1,350	190	1,799	678	26	704	1,293	358	2,355
Equipment Leasing	3,319	1,218	4,537	4,123	3,137	11,797	3,537	622	4,159	3,724	2,513	10,396
Indigent Drug Program	68,954	-	68,954	-	-	68,954	79,087	-	79,087	-	-	79,087
Insurance	14,232	196	14,428	1,926	588	16,942	15,202	28	15,230	(199)	83	15,114
Interest	-	-	-	5,599	-	5,599	-	-	-	2,790	-	2,790
License and Registration	2,846	14	2,860	652	861	4,373	2,904	23	2,927	2,145	185	5,257
Medical Supplies	6,181	-	6,181	-	-	6,181	6,537	-	6,537	-	-	6,537
Medications	10,432	-	10,432	-	-	10,432	17,164	-	17,164	-	-	17,164
Miscellaneous	1,393	36	1,429	1,342	203	2,974	799	53	852	1,902	192	2,946
Network Hosting	122	3	125	160	8	293	4,912	128	5,040	5,157	1,419	11,616
Office Supplies	-	57	57	4,587	119	4,763	-	217	217	6,068	1,063	7,348
Patient and Client Programs	-	297	297	-	-	297	-	1,500	1,500	-	-	1,500
Postage	616	29	645	3,834	6,854	11,333	1,013	17	1,030	3,005	7,050	11,085
Printing	1,033	85	1,118	2,553	8,566	12,237	1,484	1	1,485	3,946	17,809	23,240
Professional Fees	10,292	7,497	17,789	7,954	41,860	67,603	16,224	2,585	18,809	16,311	38,658	73,778
Rent	9,912	1,815	11,727	11,869	12,628	36,224	10,732	3,304	14,036	8,358	12,182	34,576
Repairs and Maintenance	1,630	-	1,630	-	-	1,630	6,623	-	6,623	259	-	6,882
Telephone	4,734	746	5,480	3,530	3,988	12,998	3,162	580	3,742	2,392	2,554	8,688
Travel and Entertainment	10,206	860	11,066	5,245	6,546	22,857	7,047	1,175	8,222	5,557	8,338	22,117
Tuition and Education	295	-	295	-	-	295	690	-	690	20	-	710
Utilities	1,341	2	1,343	61	40	1,444	2,507	83	2,590	319	390	3,299
Vehicle Expense	2,886	-	2,886	-	-	2,886	3,574	-	3,574	-	-	3,574
<b>TOTAL EXPENSES</b>	<b>\$ 3,421,036</b>	<b>\$ 33,434</b>	<b>\$ 3,454,470</b>	<b>\$ 175,855</b>	<b>\$ 253,494</b>	<b>\$ 3,883,819</b>	<b>\$ 3,018,922</b>	<b>\$ 35,451</b>	<b>\$ 3,054,373</b>	<b>\$ 165,515</b>	<b>\$ 218,278</b>	<b>\$ 3,438,166</b>

See Accompanying Notes



MISSION OF MERCY, INC. AND SUBSIDIARY

Schedule "1"

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

ARIZONA

	2017						2016					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Medical Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses	Medical Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses
Salaries	\$ 374,303	\$ 27,135	\$ 401,438	\$ 78,161	\$ 217,776	\$ 697,375	\$ 347,191	\$ 38,644	\$ 385,835	\$ 71,800	\$ 47,335	\$ 504,970
Employee Benefits	26,663	3,318	29,981	11,256	33,229	74,466	20,014	2,718	22,732	9,534	6,804	39,070
Payroll Taxes	30,476	2,082	32,558	5,932	16,373	54,863	26,432	2,948	29,380	5,515	3,645	38,540
Advertising	-	-	-	-	589	589	-	-	-	50	-	50
Bank Charges	2,112	1,690	3,802	6,255	2,112	12,169	1,843	1,474	3,317	6,194	1,843	11,354
Board and Committee Expense	336	150	486	791	2,307	3,584	758	24	782	2,331	29	3,142
Books and Subscriptions	2,775	982	3,757	832	2,784	7,373	2,187	401	2,588	132	1,894	4,614
Clinic Supplies	4,183	-	4,183	-	-	4,183	4,618	-	4,618	-	-	4,618
Consultants	4,800	27,000	31,800	-	-	31,800	19,127	23,875	43,002	2,500	4,000	49,502
Dental Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	17,306	67	17,373	719	83	18,175	35,862	78	35,940	785	97	36,822
Donated Drugs and Supplies	257,627	-	257,627	-	-	257,627	449,039	-	449,039	-	-	449,039
Donated Facilities	44,303	330	44,633	495	413	45,541	47,913	383	48,296	574	479	49,349
Donated Lab and X-Ray Services	255,839	-	255,839	-	-	255,839	295,906	-	295,906	-	-	295,906
Donated Services	839,749	4,209	843,958	6,314	6,509	856,781	903,152	2,523	905,675	3,783	3,153	912,611
Donor Development	-	-	-	-	38,834	38,834	-	-	-	-	15,569	15,569
Dues and Memberships	154	198	352	782	194	1,328	663	50	713	790	103	1,606
Equipment Leasing	2,017	768	2,785	1,270	2,006	6,061	1,932	1,315	3,247	1,685	1,644	6,576
Indigent Drug Program	8,196	-	8,196	-	-	8,196	18,391	-	18,391	-	-	18,391
Insurance	28,374	380	28,754	2,100	1,360	32,214	28,539	54	28,593	2,153	67	30,813
Interest	-	-	-	-	-	-	-	-	-	-	-	-
License and Registration	4,775	27	4,802	1,380	1,453	7,635	3,239	230	3,469	120	242	3,831
Medical Supplies	20,174	-	20,174	-	-	20,174	15,710	-	15,710	-	-	15,710
Medications	49,814	-	49,814	-	-	49,814	58,122	-	58,122	-	-	58,122
Miscellaneous	2,006	37	2,043	925	214	3,182	18,860	96	18,956	614	664	20,234
Network Hosting	196	5	201	160	6	367	8,951	1,112	10,063	5,577	1,778	17,418
Office Supplies	-	67	67	2,778	4,291	7,136	-	1,112	1,112	2,279	142	3,533
Patient and Client Programs	-	7,314	7,314	-	-	7,314	-	11,210	11,210	-	-	11,210
Postage	167	56	223	499	3,023	3,745	42	33	75	653	347	1,075
Printing	597	-	597	2,344	9,431	12,372	1,138	711	1,849	40	883	2,772
Professional Fees	7,595	4,114	11,709	8,728	42,967	63,404	34,517	9,620	44,137	23,532	57,514	125,183
Rent	14,048	4,152	18,200	11,666	11,931	41,797	18,116	9,639	27,755	12,143	12,049	51,947
Repairs and Maintenance	22,724	-	22,724	-	-	22,724	2,930	-	2,930	360	-	3,290
Telephone	3,896	1,951	5,847	4,273	2,439	12,559	3,566	1,734	5,300	3,916	2,168	11,384
Travel and Entertainment	5,374	2,987	8,361	3,930	6,175	18,466	4,945	2,840	7,785	3,913	4,574	16,272
Tuition and Education	1,034	-	1,034	374	625	2,033	1,589	-	1,589	577	950	3,116
Utilities	674	66	740	3,978	233	4,951	311	194	505	2,719	243	3,467
Vehicle Expense	3,129	-	3,129	-	-	3,129	3,393	-	3,393	-	-	3,393
<b>TOTAL EXPENSES</b>	<b>\$ 2,035,416</b>	<b>\$ 89,085</b>	<b>\$ 2,124,501</b>	<b>\$ 155,942</b>	<b>\$ 407,357</b>	<b>\$ 2,687,800</b>	<b>\$ 2,378,996</b>	<b>\$ 113,018</b>	<b>\$ 2,492,014</b>	<b>\$ 164,269</b>	<b>\$ 168,216</b>	<b>\$ 2,824,499</b>

See Accompanying Notes

MISSION OF MERCY, INC. AND SUBSIDIARY

Schedule "1"

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

TEXAS

	2017						2016					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Medical Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses	Medical Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses
Salaries	\$ 187,829	\$ -	\$ 187,829	\$ 36,068	\$ 29,894	\$ 253,791	\$ 128,159	\$ -	\$ 128,159	\$ 46,989	\$ 38,988	\$ 214,136
Employee Benefits	16,721	-	16,721	2,439	2,439	21,599	12,786	-	12,786	1,863	1,854	16,503
Payroll Taxes	14,438	-	14,438	2,803	2,331	19,572	9,769	-	9,769	3,627	3,024	16,420
Advertising	-	-	-	-	-	-	-	-	-	-	-	-
Bank Charges	2,873	-	2,873	4,727	2,789	10,389	2,506	-	2,506	3,552	2,434	8,492
Board and Committee Expense	228	-	228	421	521	1,170	40	-	40	91	41	172
Books and Subscriptions	3,760	-	3,760	1,178	2,025	6,963	2,478	-	2,478	110	1,605	4,193
Clinic Supplies	5,046	-	5,046	-	-	5,046	3,908	-	3,908	-	-	3,908
Consultants	-	-	-	-	-	-	-	-	-	4,980	-	4,980
Dental Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	9,765	-	9,765	241	112	10,118	32,472	-	32,472	258	128	32,858
Donated Drugs and Supplies	47,886	-	47,886	-	-	47,886	2,314	-	2,314	-	-	2,314
Donated Facilities	24,562	-	24,562	545	543	25,650	29,830	-	29,830	632	629	31,091
Donated Lab and X-Ray Services	1,183,349	-	1,183,349	-	-	1,183,349	995,392	-	995,392	-	-	995,392
Donated Services	239,153	-	239,153	23,020	6,946	269,119	205,647	-	205,647	4,566	4,160	214,373
Donor Development	-	-	-	-	-	-	-	-	-	-	-	-
Dues and Memberships	209	-	209	209	603	1,021	686	-	686	133	634	1,453
Equipment Leasing	209	-	209	203	202	614	278	-	278	270	271	819
Indigent Drug Program	440,839	-	440,839	-	-	440,839	690,024	-	690,024	-	-	690,024
Insurance	10,769	-	10,769	1,744	627	13,140	7,069	-	7,069	1,082	89	8,240
Interest	-	-	-	-	-	-	-	-	-	6,991	-	6,991
License and Registration	733	-	733	59	2,959	3,751	5,183	-	5,183	130	73	5,386
Medical Supplies	635	-	635	-	-	635	2,240	-	2,240	-	-	2,240
Medications	-	-	-	-	-	-	2,383	-	2,383	-	-	2,383
Miscellaneous	2,811	-	2,811	1,869	59	4,739	296	-	296	145	60	501
Network Hosting	47	-	47	46	7	100	3,773	-	3,773	2,725	410	6,908
Office Supplies	-	-	-	5,573	601	6,174	-	-	-	3,723	368	4,091
Patient and Client Programs	-	-	-	-	-	-	-	-	-	-	-	-
Postage	221	-	221	628	2,017	2,866	211	-	211	1,932	420	2,563
Printing	3,328	-	3,328	3,589	3,015	9,932	2,207	-	2,207	1,475	2,658	6,340
Professional Fees	9,046	-	9,046	6,329	48,247	63,622	8,137	-	8,137	7,754	31,809	47,700
Rent	7,676	-	7,676	2,064	1,597	11,337	4,668	-	4,668	3,754	2,412	10,834
Repairs and Maintenance	-	-	-	-	-	-	3,907	-	3,907	-	-	3,907
Telephone	4,748	-	4,748	2,876	1,800	9,424	3,428	-	3,428	2,749	1,805	7,982
Travel and Entertainment	8,017	-	8,017	8,698	2,988	19,703	4,589	-	4,589	9,825	3,690	18,104
Tuition and Education	-	-	-	-	-	-	-	-	-	3,874	-	3,874
Utilities	69	-	69	443	17	529	40	-	40	38	39	117
Vehicle Expense	121	-	121	-	-	121	150	-	150	-	-	150
<b>TOTAL EXPENSES</b>	<b>\$ 2,225,088</b>	<b>\$ -</b>	<b>\$ 2,225,088</b>	<b>\$ 105,772</b>	<b>\$ 112,339</b>	<b>\$ 2,443,199</b>	<b>\$ 2,164,570</b>	<b>\$ -</b>	<b>\$ 2,164,570</b>	<b>\$ 113,268</b>	<b>\$ 97,601</b>	<b>\$ 2,375,439</b>
<b>GRAND TOTAL FOR ALL REGIONS</b>	<b>\$ 7,681,540</b>	<b>\$ 122,519</b>	<b>\$ 7,804,059</b>	<b>\$ 437,569</b>	<b>\$ 773,190</b>	<b>\$ 9,014,818</b>	<b>\$ 7,562,488</b>	<b>\$ 148,469</b>	<b>\$ 7,710,957</b>	<b>\$ 443,052</b>	<b>\$ 484,095</b>	<b>\$ 8,638,104</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

*Schedule "2"*

	2017			2016	
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals	Mission of Mercy, Inc.
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 794,828	\$ 6,000	\$ -	\$ 800,828	\$ 400,907
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$6,830 and \$5,393, respectively)	40,134	-	-	40,134	39,923
Inventory	741,525	-	-	741,525	1,214,962
Prepaid Expenses	1,461	-	-	1,461	1,397
<b>TOTAL CURRENT ASSETS</b>	<b>1,577,948</b>	<b>6,000</b>	<b>-</b>	<b>1,583,948</b>	<b>1,657,189</b>
<b>PROPERTY AND EQUIPMENT</b>					
Dental Equipment	38,112	-	-	38,112	42,230
Medical Equipment	124,218	-	-	124,218	115,485
Office Equipment	51,275	-	-	51,275	52,877
Vehicles	859,900	-	-	859,900	983,053
	1,073,505	-	-	1,073,505	1,193,645
Less: Accumulated Depreciation	792,621	-	-	792,621	905,616
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>280,884</b>	<b>-</b>	<b>-</b>	<b>280,884</b>	<b>288,029</b>
<b>OTHER ASSETS</b>					
Security Deposit	3,517	-	-	3,517	3,517
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$30,512 and \$36,214, respectively)	193,944	-	-	193,944	259,777
<b>TOTAL OTHER ASSETS</b>	<b>197,461</b>	<b>-</b>	<b>-</b>	<b>197,461</b>	<b>263,294</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,056,293</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 2,062,293</b>	<b>\$ 2,208,512</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

*Schedule "2"*

	2017			2016	
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals	Mission of Mercy, Inc.
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 40,637	\$ -	\$ -	\$ 40,637	\$ 89,112
Accrued Payroll Taxes	8,660	-	-	8,660	7,416
Accrued Salaries	116,069	-	-	116,069	97,022
Line of Credit	300,000	-	-	300,000	125,076
<b>TOTAL CURRENT LIABILITIES</b>	<b>465,366</b>	<b>-</b>	<b>-</b>	<b>465,366</b>	<b>318,626</b>
<b>TOTAL LIABILITIES</b>	<b>465,366</b>	<b>-</b>	<b>-</b>	<b>465,366</b>	<b>318,626</b>
<b>NET ASSETS</b>					
Unrestricted					
Undesignated	368,292	6,000	-	374,292	1,019,577
Board Designated	4,584	-	-	4,584	4,583
Total Unrestricted	372,876	6,000	-	378,876	1,024,160
Temporarily Restricted	1,218,051	-	-	1,218,051	865,726
<b>TOTAL NET ASSETS</b>	<b>1,590,927</b>	<b>6,000</b>	<b>-</b>	<b>1,596,927</b>	<b>1,889,886</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,056,293</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 2,062,293</b>	<b>\$ 2,208,512</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULES OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

*Schedule "3"*

	2017				2016
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals	Mission of Mercy, Inc.
<b>SUPPORT, REVENUE, AND GAINS</b>					
<b>SUPPORT</b>					
Contributions	\$ 2,670,879	\$ 6,000	\$ (6,000)	\$ 2,670,879	\$ 2,110,691
Donated Drugs and Supplies	1,658,542	-	-	1,658,542	1,919,959
Donated Facilities	135,238	-	-	135,238	141,142
Donated Lab and X-Ray Services	1,804,479	-	-	1,804,479	2,036,368
Donated Services	1,734,058	-	-	1,734,058	1,741,009
Indigent Drug Program	568,252	-	-	568,252	798,995
<b>TOTAL SUPPORT</b>	<b>8,571,448</b>	<b>6,000</b>	<b>(6,000)</b>	<b>8,571,448</b>	<b>8,748,164</b>
<b>REVENUE AND GAINS</b>					
Special Events	235,933	-	-	235,933	280,880
Miscellaneous Revenues	892	-	-	892	636
Interest Income	1,339	-	-	1,339	1,096
Gain on Asset Disposal	3,400	-	-	3,400	3,811
<b>TOTAL REVENUE AND GAINS</b>	<b>241,564</b>	<b>-</b>	<b>-</b>	<b>241,564</b>	<b>286,423</b>
<b>TOTAL SUPPORT, REVENUE, AND GAINS</b>	<b>8,813,012</b>	<b>6,000</b>	<b>(6,000)</b>	<b>8,813,012</b>	<b>9,034,587</b>
<b>EXPENSES AND LOSSES</b>					
Program Services	7,804,059	-	-	7,804,059	7,710,957
Management and General	437,569	-	-	437,569	443,052
Fundraising	779,190	-	(6,000)	773,190	484,095
Special Events	91,153	-	-	91,153	90,431
Loss on Investment	-	-	-	-	115
<b>TOTAL EXPENSES AND LOSSES</b>	<b>9,111,971</b>	<b>-</b>	<b>(6,000)</b>	<b>9,105,971</b>	<b>8,728,650</b>
<b>CHANGE IN NET ASSETS</b>	<b>(298,959)</b>	<b>6,000</b>	<b>-</b>	<b>(292,959)</b>	<b>305,937</b>
Net Assets - Beginning of Year	1,889,886	-	-	1,889,886	1,583,949
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,590,927</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 1,596,927</b>	<b>\$ 1,889,886</b>

See Accompanying Notes