

**MISSION OF MERCY, INC. AND  
SUPPORTING ORGANIZATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**



**CPAs &  
BUSINESS  
ADVISORS**

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## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
• Consolidated Statements of Financial Position	3 - 4
• Consolidated Statements of Activities	5
• Consolidated Statements of Functional Expenses	6
• Consolidated Statements of Cash Flows	7 - 8
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	9 - 21
<b>SUPPLEMENTARY INFORMATION</b>	
• <i>Schedule "1"</i> - Consolidated Schedules of Functional Expenses by Region	22 - 24
• <i>Schedule "2"</i> - Consolidating Schedules of Financial Position	25 - 26
• <i>Schedule "3"</i> - Consolidating Schedules of Activities	27 - 28



## INDEPENDENT AUDITORS' REPORT

November 5, 2018

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 Supporting Organization, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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 Supporting Organization as of June 30, 2018 and 2017, 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.

### **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 22 - 28 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 SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 631,159	\$ 800,828
Restricted Cash	120,000	-
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$3,063 and \$6,830, respectively)	18,046	40,134
Use of Donated Facility	288,351	-
Inventory	973,392	741,525
Prepaid Expenses	9,402	1,461
<b>TOTAL CURRENT ASSETS</b>	<b>2,040,350</b>	<b>1,583,948</b>
<b>PROPERTY AND EQUIPMENT</b>		
Vehicle Under Construction	295,645	-
Dental Equipment	41,826	38,112
Medical Equipment	239,111	124,218
Office Equipment	50,111	51,275
Vehicles	725,829	859,900
	1,352,522	1,073,505
Less: Accumulated Depreciation	722,175	792,621
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>630,347</b>	<b>280,884</b>
<b>OTHER ASSETS</b>		
Security Deposit	3,517	3,517
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$35,592 and \$30,512, respectively)	178,586	193,944
Use of Donated Facility (Net of Unamortized Discount of \$613,357 and \$-0-, respectively)	3,497,196	-
<b>TOTAL OTHER ASSETS</b>	<b>3,679,299</b>	<b>197,461</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,349,996</b>	<b>\$ 2,062,293</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 41,654	\$ 40,637
Accrued Payroll Taxes	8,816	8,660
Accrued Salaries	117,741	116,069
Line of Credit	150,509	300,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>318,720</b>	<b>465,366</b>
<b>TOTAL LIABILITIES</b>	<b>318,720</b>	<b>465,366</b>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	964,989	374,292
Board Designated	4,575	4,584
Total Unrestricted	969,564	378,876
Temporarily Restricted (See Note 6)	5,061,712	1,218,051
<b>TOTAL NET ASSETS</b>	<b>6,031,276</b>	<b>1,596,927</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,349,996</b>	<b>\$ 2,062,293</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND GAINS</b>						
<b>SUPPORT</b>						
Contributions	\$ 2,272,482	\$ 678,639	\$ 2,951,121	\$ 2,026,907	\$ 643,972	\$ 2,670,879
Donated Drugs and Supplies	2,033,761	-	2,033,761	1,658,542	-	1,658,542
Donated Facilities	116,924	-	116,924	135,238	-	135,238
Donated Lab and X-Ray Services	1,872,290	-	1,872,290	1,804,479	-	1,804,479
Donated Services	1,746,764	-	1,746,764	1,734,058	-	1,734,058
Indigent Drug Program	918,054	-	918,054	568,252	-	568,252
<b>TOTAL SUPPORT</b>	<b>8,960,275</b>	<b>678,639</b>	<b>9,638,914</b>	<b>7,927,476</b>	<b>643,972</b>	<b>8,571,448</b>
<b>REVENUE AND GAINS</b>						
Special Events	277,720	-	277,720	235,933	-	235,933
Miscellaneous Revenues	992	-	992	892	-	892
Interest Income	1,656	-	1,656	1,339	-	1,339
Gain on Asset Disposal	-	-	-	3,400	-	3,400
<b>TOTAL REVENUE AND GAINS</b>	<b>280,368</b>	<b>-</b>	<b>280,368</b>	<b>241,564</b>	<b>-</b>	<b>241,564</b>
<b>RESTRICTIONS SATISFIED BY PAYMENTS AND EXPIRATION OF TIME</b>						
	<b>620,525</b>	<b>(620,525)</b>	<b>-</b>	<b>291,647</b>	<b>(291,647)</b>	<b>-</b>
<b>TOTAL SUPPORT, REVENUE, AND GAINS</b>	<b>9,861,168</b>	<b>58,114</b>	<b>9,919,282</b>	<b>8,460,687</b>	<b>352,325</b>	<b>8,813,012</b>
<b>EXPENSES AND LOSSES</b>						
Program Services	8,061,736	-	8,061,736	7,804,059	-	7,804,059
Management and General	396,298	-	396,298	437,569	-	437,569
Fundraising	686,117	-	686,117	773,190	-	773,190
Special Events	126,185	-	126,185	91,153	-	91,153
Loss on Disposal of Assets	144	-	144	-	-	-
<b>TOTAL EXPENSES AND LOSSES</b>	<b>9,270,480</b>	<b>-</b>	<b>9,270,480</b>	<b>9,105,971</b>	<b>-</b>	<b>9,105,971</b>
<b>CHANGE IN NET ASSETS BEFORE DONATED LONG-TERM LEASE</b>						
	<b>590,688</b>	<b>58,114</b>	<b>648,802</b>	<b>(645,284)</b>	<b>352,325</b>	<b>(292,959)</b>
Donated Long-Term Lease (See Note 8)	-	3,886,643	3,886,643	-	-	-
Lease Restrictions Satisfied by						
Expiration of Time	101,096	(101,096)	-	-	-	-
Long-Term Donated Facilities Expense	(101,096)	-	(101,096)	-	-	-
<b>TOTAL CHANGE IN NET ASSETS FROM DONATED LONG-TERM LEASE</b>	<b>-</b>	<b>3,785,547</b>	<b>3,785,547</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>590,688</b>	<b>3,843,661</b>	<b>4,434,349</b>	<b>(645,284)</b>	<b>352,325</b>	<b>(292,959)</b>
Net Assets - Beginning of Year	378,876	1,218,051	1,596,927	1,024,160	865,726	1,889,886
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 969,564</b>	<b>\$ 5,061,712</b>	<b>\$ 6,031,276</b>	<b>\$ 378,876</b>	<b>\$ 1,218,051</b>	<b>\$ 1,596,927</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018						2017					
	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
In-Kind Expenses												
Donated Drugs and Supplies	\$ 1,730,519	\$ -	\$ 1,730,519	\$ -	\$ -	\$ 1,730,519	\$ 2,199,716	\$ -	\$ 2,199,716	\$ -	\$ -	\$ 2,199,716
Donated Facilities	88,074	500	88,574	26,884	1,466	116,924	105,112	500	105,612	28,160	1,466	135,238
Donated Lab and X-Ray Services	1,872,290	-	1,872,290	-	-	1,872,290	1,804,479	-	1,804,479	-	-	1,804,479
Donated Services	1,716,931	3,730	1,720,661	15,160	10,943	1,746,764	1,671,882	6,377	1,678,259	35,839	19,960	1,734,058
Indigent Drug Program	968,374	-	968,374	-	-	968,374	517,989	-	517,989	-	-	517,989
Total In-Kind Expenses	<u>6,376,188</u>	<u>4,230</u>	<u>6,380,418</u>	<u>42,044</u>	<u>12,409</u>	<u>6,434,871</u>	<u>6,299,178</u>	<u>6,877</u>	<u>6,306,055</u>	<u>63,999</u>	<u>21,426</u>	<u>6,391,480</u>
Salaries	849,304	54,504	903,808	172,768	279,750	1,356,326	815,300	40,556	855,856	181,353	370,327	1,407,536
Consultants	21,657	19,813	41,470	-	1,220	42,690	4,800	27,000	31,800	-	-	31,800
Employee Benefits	121,234	8,911	130,145	14,536	45,427	190,108	100,469	5,409	105,878	20,038	54,953	180,869
Payroll Taxes	65,906	4,232	70,138	13,535	21,800	105,473	65,920	3,171	69,091	14,212	28,787	112,090
Depreciation	72,168	103	72,271	2,329	299	74,899	59,186	101	59,287	2,119	298	61,704
Donor Development	-	-	-	-	17,035	17,035	-	-	-	-	39,542	39,542
Insurance	49,685	602	50,287	5,735	1,765	57,787	53,375	576	53,951	5,770	2,575	62,296
Interest	-	-	-	6,297	-	6,297	-	-	-	5,599	-	5,599
Medications and Medical Supplies	131,580	4,050	135,630	-	-	135,630	91,338	-	91,338	-	-	91,338
Occupancy	81,773	8,813	90,586	42,931	39,902	173,419	47,463	8,740	56,203	41,126	34,694	132,023
Office Expenses	62,695	7,374	70,069	39,329	35,145	144,543	45,774	12,402	58,176	39,940	33,078	131,194
Postage and Printing	13,672	93	13,765	6,612	36,843	57,220	5,962	170	6,132	13,447	32,906	52,485
Professional Fees	29,661	14,069	43,730	25,414	173,104	242,248	26,933	11,611	38,544	22,361	133,074	193,979
Repairs and Maintenance	24,927	1,278	26,205	6,130	3,737	36,072	36,035	1,986	38,021	5,596	5,345	48,962
Travel and Entertainment	17,603	3,943	21,546	16,127	15,956	53,629	23,597	3,847	27,444	17,873	15,709	61,026
Miscellaneous	11,646	22	11,668	2,511	1,725	15,904	6,210	73	6,283	4,136	476	10,895
<b>TOTAL EXPENSES</b>	<u>\$ 7,929,699</u>	<u>\$ 132,037</u>	<u>\$ 8,061,736</u>	<u>\$ 396,298</u>	<u>\$ 686,117</u>	<u>\$ 9,144,151</u>	<u>\$ 7,681,540</u>	<u>\$ 122,519</u>	<u>\$ 7,804,059</u>	<u>\$ 437,569</u>	<u>\$ 773,190</u>	<u>\$ 9,014,818</u>

See Accompanying Notes



**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Inflows:		
Receipts from Contributions	\$ 2,988,567	\$ 2,736,501
Receipts from Special Events	277,720	235,933
Miscellaneous Receipts	992	892
Interest Income Received	1,656	1,339
	3,268,935	2,974,665
Outflows:		
Payments to Employees	1,354,654	1,388,489
Payments to Suppliers	1,248,300	1,222,439
Payments for Special Events	135,356	81,982
Payments for Interest	6,297	5,599
	2,744,607	2,698,509
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>524,328</b>	<b>276,156</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Inflows:		
Proceeds from Sale of Assets	1	3,400
Outflows:		
Purchase of Property and Equipment	424,507	54,559
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(424,506)</b>	<b>(51,159)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Inflows:		
Proceeds from Line of Credit	300,509	500,000
Outflows:		
Payments on Line of Credit	450,000	325,076
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(149,491)</b>	<b>174,924</b>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>(49,669)</b>	<b>399,921</b>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	800,828	400,907
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 751,159</b>	<b>\$ 800,828</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 4,434,349	\$ (292,959)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	74,899	61,704
(Gain) Loss on Disposal of Assets	144	(3,400)
Non-Cash Expense (Income) from Change in Donated and Indigent Drugs Inventory	(252,922)	490,911
Donated Long-Term Lease	(3,886,643)	-
Non-Cash Long-Term Donated Facilities Expense	101,096	-
(Increase) Decrease in:		
Unconditional Promises to Give	37,446	65,622
Inventory	21,055	(17,474)
Prepaid Expenses	(7,941)	(64)
Increase (Decrease) in:		
Accounts Payable	1,017	(48,475)
Accrued Payroll Taxes	156	1,244
Accrued Salaries	1,672	19,047
Total Adjustments	(3,910,021)	569,115
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 524,328</b>	<b>\$ 276,156</b>

See Accompanying Notes

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**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 Supporting Organization, 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 a public charity 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 the Fund qualify for the *Credit for Contributions to Qualifying Charitable Organizations* for Arizona personal income tax purposes.

*Cash and Cash Equivalents*

For purposes of the consolidated 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 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

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

historical trends of collection and the corresponding changes in fair value of unconditional promises to give resulted in a decrease in contributions of \$24,937 and \$7,168 for the years ended June 30, 2018 and 2017, 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. Donated and indigent inventories are stated at quoted wholesale or discount supplier prices.

*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, 2018 and 2017 was \$74,899 and \$61,704, 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 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 SUPPORTING ORGANIZATION**  
**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, 2018 or 2017.

*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. Long-term donated facilities leases are recorded as increases in temporarily restricted net assets and are reclassified to temporarily restricted net assets over the term of the lease.

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 leases for more than one year are recorded as restricted contributions at their fair value at the start date of the lease and are reported as increases in temporarily restricted net assets. These restrictions expire based on the terms of the lease agreements, and the Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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

*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 providers' current rates.

*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. The Organization also recognizes donated services from accountants and attorneys and values these services using the specific charitable write-downs from professional services invoices. 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, 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, INC. AND SUPPORTING ORGANIZATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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.

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.

New Accounting Pronouncement Adopted

During the year ended June 30, 2018, the Organization early implemented Financial Accounting Standards Board Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The Organization applied the Standard retrospectively to the year ended June 30, 2017 with limited changes to financial statement presentation and disclosure.

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 5, 2018, 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. As of June 30, 2018, the cash deposits exceed the limit by \$42,953, representing the maximum loss risk.

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

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 631,159	\$ 800,828
Restricted Cash	<u>120,000</u>	<u>-</u>
Total Cash, Cash Equivalents, and Restricted Cash shown in the consolidated statements of cash flows	<u>\$ 751,159</u>	<u>\$ 800,828</u>

Amounts included in restricted cash and cash equivalents represent those required to be set aside as a maintenance reserve account under a facility lease (see Note 8).

**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, 2018, collections were expected pertaining to multi-year commitments in each fiscal year ending June 30:

	2019	\$ 21,109
	2020	73,836
	2021	50,436
	2022	28,886
	2023	15,056
	Thereafter	<u>77,080</u>
		<u>266,403</u>
Less: Discounts to Net Present Value (See Note 10)		31,116
Less: Allowance for Uncollectible Promises Receivable (See Note 10)		<u>38,655</u>
Net Unconditional Promises to Give		<u>\$ 196,632</u>

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

	<u>2018</u>	<u>2017</u>
Maryland/Pennsylvania	\$ 18,573	\$ 47,688
Arizona	146,264	125,771
Texas	<u>31,795</u>	<u>60,619</u>
	<u>\$ 196,632</u>	<u>\$ 234,078</u>



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

**Note 4. Inventory**

Inventory consists of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Purchased Drugs and Other Medical Supplies	\$ 6,910	\$ 27,965
Donated Drugs and Other Medical Supplies (See Note 8)	927,447	624,205
Indigent Drugs (See Note 9)	<u>39,035</u>	<u>89,355</u>
	<u>\$ 973,392</u>	<u>\$ 741,525</u>

**Note 5. Line of Credit**

During March 2018, the Organization refinanced its revolving line of credit with a new financial institution for \$500,000. The line of credit is secured by inventory, equipment, and unconditional promises to give owned by the Organization. The Organization had \$349,491 available funds as of June 30, 2018. As of June 30, 2018, interest of 5.25% is due and payable monthly; the rate charged is equal to the *The Wall Street Journal* prime rate plus 0.25%. The line of credit was established with a one year initial term, to March 2019, and it renews for one year periods from year to year subject to the financial institution's approval. The revolving line of credit is due on demand.

The line of credit is subject to a financial covenant. Management is not aware of any violations of the covenant.

**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, 2018 and 2017 were \$4,575 and \$4,584, respectively.

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

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

	<u>2018</u>	<u>2017</u>
Arizona		
Clinics	\$ 106,000	\$ 145,771
Capacity Building Efforts	294,334	-
Purchase of new mobile van and East Valley Expansion in Arizona	355,000	400,000
Mission of Mercy Arizona Health Partnership Fund - Arizona Clinics	41,514	-
Maryland/Pennsylvania		
Clinics	66,467	140,763
Documentary Movie	25,000	-
Purchase of new dental van	244,772	385,000
Texas		
Clinics	137,828	748
Naming recognition of the new medical building	-	143,769
Use of Donated Facility (See Note 8)	3,785,547	-
Technology Upgrade	4,750	1,500
Other		
Nonprofit Standards for Excellence Accreditation	<u>500</u>	<u>500</u>
	<u>\$ 5,061,712</u>	<u>\$ 1,218,051</u>

**Note 7. Operating Leases**

The Organization leases office space in Frederick, Maryland; Gettysburg, Pennsylvania; and Phoenix, Arizona. The Organization also rented office space in Corpus Christi, Texas through March 2018 and then moved into a new office space with a donated lease (see Note 8). Office rent expense totaled \$93,641 and \$89,358 for the years ended June 30, 2018 and 2017, respectively. These leases expire at various periods from December 2018 to November 2019. Future monthly lease payments range from \$2,399 to \$3,428.

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 repairs and maintenance expense, totaled \$15,101 and \$18,472 for the years ended June 30, 2018 and 2017, respectively.

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

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

2019	\$ 63,102
2020	19,346
2021	2,940
2022	<u>1,960</u>
Total	<u>\$ 87,348</u>

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

The consolidated financial statements include donations of laboratory (lab) services and x-rays provided to patients by hospitals and laboratories in the amount of \$1,872,290 and \$1,804,479 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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 \$1,703,405 and \$1,652,960, respectively. The services recognized in the consolidated financial statements represent 29,931 and 30,263 hours of time contributed for the years ended June 30, 2018 and 2017, respectively. In addition, for the years ended June 30, 2018 and 2017, accountants, attorneys, and other professionals donated services valued at \$43,359 and \$81,098, respectively, to the Organization.

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 18,580 and 19,145 hours for the years ended June 30, 2018 and 2017, respectively.

For the years ended June 30, 2018 and 2017, the Organization recognized revenue (support) from donated drugs and supplies valued at \$2,033,761 and \$1,658,542, respectively, which included donated office equipment valued at \$491 and \$16,113, 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, 2018 and 2017 was valued at \$927,447 and \$624,205, respectively (see Notes 4 and 10).

During the years ended June 30, 2018 and 2017, the Organization used short-term donated facilities valued at \$116,924 and \$135,238, 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.

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

The Organization entered into a 15-year lease beginning February 2018 for medical clinics and office space in Corpus Christi, Texas. The lease expires in February 2033 with one 15-year option to renew. The lease requires the Organization to pay for all utility services over the term of the lease and all costs for insurance on the building after the first three years of the lease. Additionally, the Organization must maintain a maintenance reserve account of \$120,000 to be used for repair, maintenance, and replacement costs of the building and other improvements over \$5,000, subject to approval by the landlord. Should the value of the account fall to less than \$50,000, the Organization must make monthly deposits into the account until the balance reaches \$50,000. As of June 30, 2018, this maintenance reserve account had not yet been established, however, the Organization reported \$120,000 as restricted cash relating to this reserve account. In connection with this lease agreement, the Organization discounted the value of the 15-year initial term of the lease and recorded a restricted contribution for the year ended June 30, 2018 of \$4,500,000. For the year ended June 30, 2018, long-term donated facilities expense and net assets released from restrictions totaled \$101,096.

Use of donated facility is as follows as of June 30, 2018:

Receivable in one to five years	\$ 1,500,000
Receivable in greater than five years	<u>2,898,904</u>
	<u>4,398,904</u>
Less: Unamortized Discount to Net Present Value	<u>613,357</u>
Net Use of Donated Facility	<u>\$ 3,785,547</u>

**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 and records the medications as revenue (support) and a corresponding expense in the consolidated financial statements. For the years ended June 30, 2018 and 2017, the Organization recognized revenue from medications received from these programs of \$918,054 and \$568,252, 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, 2018 and 2017 was valued at \$39,035 and \$89,355, respectively (see Notes 4 and 10).

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

**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, 2018 and 2017: 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 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).

*Use of Donated Facility* (see Note 8) - 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 discounted the value of the 15-year lease and recorded a restricted contribution for the year ended June 30, 2018 of \$4,500,000. The Organization discounted the value of the lease by the discount interest rate for the United States on February 27, 2018, the start date of the lease, which was 2.00%.

*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 2.86% and 2.31% as of June 30, 2018 and 2017, 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, 2018 and 2017, unconditional promises to give to the Organization were discounted by an additional 14.51% and 11.99%, respectively.

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

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 assets or liabilities categorized as Level 3 for the years ended June 30, 2018 and 2017.

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

	2018		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Donated Drug Inventory	\$ 927,447	\$ -	\$ 927,447
Indigent Drug Inventory	39,035	-	39,035
Use of Donated Facility	-	3,785,547	3,785,547
Unconditional Promises to Give	<u>-</u>	<u>196,632</u>	<u>196,632</u>
Total Assets at Fair Value	<u>\$ 966,482</u>	<u>\$ 3,982,179</u>	<u>\$ 4,948,661</u>
	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	<u>-</u>	<u>234,078</u>	<u>234,078</u>
Total Assets at Fair Value	<u>\$ 713,560</u>	<u>\$ 234,078</u>	<u>\$ 947,638</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 16% and 12% of the Organization's support was provided by AmeriCares Foundation, Inc. for the years ended June 30, 2018 and 2017, respectively, all of which was in the form of donated prescription medications and medical supplies.

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

**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, 2018 and 2017. This plan is tax exempt and has been approved by the Internal Revenue Service.

**SUPPLEMENTARY INFORMATION**



MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

Schedule "1"

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

MARYLAND/PENNSYLVANIA

	2018						2017					
	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
In-Kind Expenses												
Donated Drugs and Supplies	\$ 1,198,252	\$ -	\$ 1,198,252	\$ -	\$ -	\$ 1,198,252	\$ 1,894,203	\$ -	\$ 1,894,203	\$ -	\$ -	\$ 1,894,203
Donated Facilities	37,201	170	37,371	17,023	510	54,904	36,247	170	36,417	27,120	510	64,047
Donated Lab and X-Ray Services	276,067	-	276,067	-	-	276,067	365,291	-	365,291	-	-	365,291
Donated Services	590,646	1,268	591,914	3,805	3,805	599,524	592,980	2,168	595,148	6,505	6,505	608,158
Indigent Drug Program	32,381	-	32,381	-	-	32,381	68,954	-	68,954	-	-	68,954
<b>Total In-Kind Expenses</b>	<b>2,134,547</b>	<b>1,438</b>	<b>2,135,985</b>	<b>20,828</b>	<b>4,315</b>	<b>2,161,128</b>	<b>2,957,675</b>	<b>2,338</b>	<b>2,960,013</b>	<b>33,625</b>	<b>7,015</b>	<b>3,000,653</b>
Salaries	311,953	13,854	325,807	67,547	115,897	509,251	253,168	13,421	266,589	67,124	122,657	456,370
Consultants	-	-	-	-	-	-	-	-	-	-	-	-
Employee Benefits	58,535	1,447	59,982	4,352	19,337	83,671	57,085	2,091	59,176	6,343	19,285	84,804
Payroll Taxes	24,918	1,100	26,018	5,392	9,283	40,693	21,006	1,089	22,095	5,477	10,083	37,655
Depreciation	32,492	35	32,527	714	105	33,346	32,115	34	32,149	1,159	103	33,411
Donor Development	-	-	-	-	553	553	-	-	-	-	708	708
Insurance	13,462	205	13,667	1,474	614	15,755	14,232	196	14,428	1,926	588	16,942
Interest	-	-	-	6,297	-	6,297	-	-	-	5,599	-	5,599
Medications and Medical Supplies	37,638	-	37,638	-	-	37,638	20,715	-	20,715	-	-	20,715
Occupancy	26,429	2,657	29,086	17,149	17,896	64,131	16,109	2,566	18,675	15,620	16,664	50,959
Office Expenses	20,221	3,832	24,053	13,164	11,407	48,624	17,556	1,974	19,530	13,931	9,225	42,686
Postage and Printing	4,272	32	4,304	3,073	24,943	32,320	1,649	114	1,763	6,387	15,420	23,570
Professional Fees	8,210	9,589	17,799	9,393	50,014	77,206	10,292	7,497	17,789	7,954	41,860	67,603
Repairs and Maintenance	9,679	936	10,615	4,099	2,722	17,436	7,835	1,218	9,053	4,123	3,137	16,313
Travel and Entertainment	7,594	964	8,558	4,230	7,656	20,444	10,206	860	11,066	5,245	6,546	22,857
Miscellaneous	1,656	19	1,675	629	859	3,163	1,393	36	1,429	1,342	203	2,974
<b>TOTAL EXPENSES</b>	<b>\$ 2,691,606</b>	<b>\$ 36,108</b>	<b>\$ 2,727,714</b>	<b>\$ 158,341</b>	<b>\$ 265,601</b>	<b>\$ 3,151,656</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>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**  
**ARIZONA**

*Schedule "1"*

	2018						2017					
	Mission of Mercy, Inc. and Supporting Organization						Mission of Mercy, Inc.					
	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
In-Kind Expenses												
Donated Drugs and Supplies	\$ 520,509	\$ -	\$ 520,509	\$ -	\$ -	\$ 520,509	\$ 257,627	\$ -	\$ 257,627	\$ -	\$ -	\$ 257,627
Donated Facilities	43,390	330	43,720	495	413	44,628	44,303	330	44,633	495	413	45,541
Donated Lab and X-Ray Services	276,806	-	276,806	-	-	276,806	255,839	-	255,839	-	-	255,839
Donated Services	843,442	2,462	845,904	7,293	3,077	856,274	839,749	4,209	843,958	6,314	6,509	856,781
Indigent Drug Program	30,047	-	30,047	-	-	30,047	8,196	-	8,196	-	-	8,196
Total In-Kind Expenses	1,714,194	2,792	1,716,986	7,788	3,490	1,728,264	1,405,714	4,539	1,410,253	6,809	6,922	1,423,984
Salaries	311,987	40,650	352,637	73,968	132,600	559,205	374,303	27,135	401,438	78,161	217,776	697,375
Consultants	21,657	19,813	41,470	-	1,220	42,690	4,800	27,000	31,800	-	-	31,800
Employee Benefits	42,959	7,464	50,423	8,483	24,390	83,296	26,663	3,318	29,981	11,256	33,229	74,466
Payroll Taxes	23,859	3,132	26,991	5,718	10,093	42,802	30,476	2,082	32,558	5,932	16,373	54,863
Depreciation	21,197	68	21,265	708	85	22,058	17,306	67	17,373	719	83	18,175
Donor Development	-	-	-	-	16,482	16,482	-	-	-	-	38,834	38,834
Insurance	25,975	397	26,372	3,593	496	30,461	28,374	380	28,754	2,100	1,360	32,214
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Medications and Medical Supplies	83,638	4,050	87,688	-	-	87,688	69,988	-	69,988	-	-	69,988
Occupancy	28,567	6,156	34,723	18,804	17,170	70,697	18,814	6,174	24,988	20,077	14,609	59,674
Office Expenses	21,627	3,542	25,169	14,837	10,949	50,955	15,369	10,428	25,797	13,842	14,355	53,994
Postage and Printing	2,223	61	2,284	1,769	9,798	13,851	764	56	820	2,843	12,454	16,117
Professional Fees	8,353	4,480	12,833	8,666	74,646	96,145	7,595	4,114	11,709	8,078	42,967	62,754
Repairs and Maintenance	13,801	342	14,143	1,619	823	16,585	27,870	768	28,638	1,270	2,006	31,914
Travel and Entertainment	5,199	2,979	8,178	5,033	3,571	16,782	5,374	2,987	8,361	3,930	6,175	18,466
Miscellaneous	7,011	3	7,014	1,322	394	8,730	2,006	37	2,043	925	214	3,182
<b>TOTAL EXPENSES</b>	<b>\$ 2,332,247</b>	<b>\$ 95,929</b>	<b>\$ 2,428,176</b>	<b>\$ 152,308</b>	<b>\$ 306,207</b>	<b>\$ 2,886,691</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>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**  
**TEXAS**

*Schedule "1"*

	2018						2017					
	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
In-Kind Expenses												
Donated Drugs and Supplies	\$ 11,758	\$ -	\$ 11,758	\$ -	\$ -	\$ 11,758	\$ 47,886	\$ -	\$ 47,886	\$ -	\$ -	\$ 47,886
Donated Facilities	7,483	-	7,483	9,366	543	17,392	24,562	-	24,562	545	543	25,650
Donated Lab and X-Ray Services	1,319,417	-	1,319,417	-	-	1,319,417	1,183,349	-	1,183,349	-	-	1,183,349
Donated Services	282,843	-	282,843	4,062	4,061	290,966	239,153	-	239,153	23,020	6,946	269,119
Indigent Drug Program	905,946	-	905,946	-	-	905,946	440,839	-	440,839	-	-	440,839
Total In-Kind Expenses	<u>2,527,447</u>	<u>-</u>	<u>2,527,447</u>	<u>13,428</u>	<u>4,604</u>	<u>2,545,479</u>	<u>1,935,789</u>	<u>-</u>	<u>1,935,789</u>	<u>23,565</u>	<u>7,489</u>	<u>1,966,843</u>
Salaries	225,364	-	225,364	31,253	31,253	287,870	187,829	-	187,829	36,068	29,894	253,791
Consultants	-	-	-	-	-	-	-	-	-	-	-	-
Employee Benefits	19,740	-	19,740	1,701	1,700	23,141	16,721	-	16,721	2,439	2,439	21,599
Payroll Taxes	17,129	-	17,129	2,425	2,424	21,978	14,438	-	14,438	2,803	2,331	19,572
Depreciation	18,479	-	18,479	907	109	19,495	9,765	-	9,765	241	112	10,118
Donor Development	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	10,248	-	10,248	668	655	11,571	10,769	-	10,769	1,744	627	13,140
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Medications and Medical Supplies	10,304	-	10,304	-	-	10,304	635	-	635	-	-	635
Occupancy	26,777	-	26,777	6,978	4,836	38,591	12,540	-	12,540	5,429	3,421	21,390
Office Expenses	20,847	-	20,847	11,328	12,789	44,964	12,849	-	12,849	12,167	9,498	34,514
Postage and Printing	7,177	-	7,177	1,770	2,102	11,049	3,549	-	3,549	4,217	5,032	12,798
Professional Fees	13,098	-	13,098	7,355	48,444	68,897	9,046	-	9,046	6,329	48,247	63,622
Repairs and Maintenance	1,447	-	1,447	412	192	2,051	330	-	330	203	202	735
Travel and Entertainment	4,810	-	4,810	6,864	4,729	16,403	8,017	-	8,017	8,698	2,988	19,703
Miscellaneous	2,979	-	2,979	560	472	4,011	2,811	-	2,811	1,869	59	4,739
<b>TOTAL EXPENSES</b>	<u>\$ 2,905,846</u>	<u>\$ -</u>	<u>\$ 2,905,846</u>	<u>\$ 85,649</u>	<u>\$ 114,309</u>	<u>\$ 3,105,804</u>	<u>\$ 2,225,088</u>	<u>\$ -</u>	<u>\$ 2,225,088</u>	<u>\$ 105,772</u>	<u>\$ 112,339</u>	<u>\$ 2,443,199</u>
<b>GRAND TOTAL FOR ALL REGIONS</b>	<u>\$ 7,929,699</u>	<u>\$ 132,037</u>	<u>\$ 8,061,736</u>	<u>\$ 396,298</u>	<u>\$ 686,117</u>	<u>\$ 9,144,151</u>	<u>\$ 7,681,540</u>	<u>\$ 122,519</u>	<u>\$ 7,804,059</u>	<u>\$ 437,569</u>	<u>\$ 773,190</u>	<u>\$ 9,014,818</u>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 620,739	\$ 10,420	\$ -	\$ 631,159
Restricted Cash	120,000	-	-	120,000
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$3,063)	14,010	4,036	-	18,046
Use of Donated Facility	288,351	-	-	288,351
Inventory	973,392	-	-	973,392
Prepaid Expenses	9,402	-	-	9,402
<b>TOTAL CURRENT ASSETS</b>	<b>2,025,894</b>	<b>14,456</b>	<b>-</b>	<b>2,040,350</b>
<b>PROPERTY AND EQUIPMENT</b>				
Vehicle Under Construction	295,645	-	-	295,645
Dental Equipment	41,826	-	-	41,826
Medical Equipment	239,111	-	-	239,111
Office Equipment	50,111	-	-	50,111
Vehicles	725,829	-	-	725,829
	1,352,522	-	-	1,352,522
Less: Accumulated Depreciation	722,175	-	-	722,175
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>630,347</b>	<b>-</b>	<b>-</b>	<b>630,347</b>
<b>OTHER ASSETS</b>				
Security Deposit	3,517	-	-	3,517
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$35,592)	141,108	37,478	-	178,586
Use of Donated Facility (Net of Unamortized Discount of \$613,357)	3,497,196	-	-	3,497,196
<b>TOTAL OTHER ASSETS</b>	<b>3,641,821</b>	<b>37,478</b>	<b>-</b>	<b>3,679,299</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,298,062</b>	<b>\$ 51,934</b>	<b>\$ -</b>	<b>\$ 6,349,996</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 41,294	\$ 360	\$ -	\$ 41,654
Accrued Payroll Taxes	8,816	-	-	8,816
Accrued Salaries	116,789	952	-	117,741
Line of Credit	150,509	-	-	150,509
<b>TOTAL CURRENT LIABILITIES</b>	<b>317,408</b>	<b>1,312</b>	<b>-</b>	<b>318,720</b>
<b>TOTAL LIABILITIES</b>	<b>317,408</b>	<b>1,312</b>	<b>-</b>	<b>318,720</b>
<b>NET ASSETS</b>				
Unrestricted				
Undesignated	960,456	9,108	-	969,564
Board Designated	-	-	-	-
Total Unrestricted	960,456	9,108	-	969,564
Temporarily Restricted (See Note 6)	5,020,198	41,514	-	5,061,712
<b>TOTAL NET ASSETS</b>	<b>5,980,654</b>	<b>50,622</b>	<b>-</b>	<b>6,031,276</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,298,062</b>	<b>\$ 51,934</b>	<b>\$ -</b>	<b>\$ 6,349,996</b>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2017			
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 794,828	\$ 6,000	\$ -	\$ 800,828
Restricted Cash	-	-	-	-
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$6,830)	40,134	-	-	40,134
Use of Donated Facility	-	-	-	-
Inventory	741,525	-	-	741,525
Prepaid Expenses	1,461	-	-	1,461
<b>TOTAL CURRENT ASSETS</b>	<b>1,577,948</b>	<b>6,000</b>	<b>-</b>	<b>1,583,948</b>
<b>PROPERTY AND EQUIPMENT</b>				
Vehicle Under Construction	-	-	-	-
Dental Equipment	38,112	-	-	38,112
Medical Equipment	124,218	-	-	124,218
Office Equipment	51,275	-	-	51,275
Vehicles	859,900	-	-	859,900
	1,073,505	-	-	1,073,505
Less: Accumulated Depreciation	792,621	-	-	792,621
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>280,884</b>	<b>-</b>	<b>-</b>	<b>280,884</b>
<b>OTHER ASSETS</b>				
Security Deposit	3,517	-	-	3,517
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$30,512)	193,944	-	-	193,944
Use of Donated Facility (Net of Unamortized Discount of \$-0)	-	-	-	-
<b>TOTAL OTHER ASSETS</b>	<b>197,461</b>	<b>-</b>	<b>-</b>	<b>197,461</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,056,293</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 2,062,293</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 40,637	\$ -	\$ -	\$ 40,637
Accrued Payroll Taxes	8,660	-	-	8,660
Accrued Salaries	116,069	-	-	116,069
Line of Credit	300,000	-	-	300,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>465,366</b>	<b>-</b>	<b>-</b>	<b>465,366</b>
<b>TOTAL LIABILITIES</b>	<b>465,366</b>	<b>-</b>	<b>-</b>	<b>465,366</b>
<b>NET ASSETS</b>				
Unrestricted				
Undesignated	368,292	6,000	-	374,292
Board Designated	4,584	-	-	4,584
Total Unrestricted	372,876	6,000	-	378,876
Temporarily Restricted (See Note 6)	1,218,051	-	-	1,218,051
<b>TOTAL NET ASSETS</b>	<b>1,590,927</b>	<b>6,000</b>	<b>-</b>	<b>1,596,927</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,056,293</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 2,062,293</b>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATING SCHEDULES OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
<b>SUPPORT, REVENUE, AND GAINS</b>				
<b>SUPPORT</b>				
Contributions	\$ 2,882,766	\$ 128,938	\$ (60,583)	\$ 2,951,121
Donated Drugs and Supplies	2,033,761	-	-	2,033,761
Donated Facilities	116,924	-	-	116,924
Donated Lab and X-Ray Services	1,872,290	-	-	1,872,290
Donated Services	1,745,164	1,600	-	1,746,764
Indigent Drug Program	918,054	-	-	918,054
<b>TOTAL SUPPORT</b>	<b>9,568,959</b>	<b>130,538</b>	<b>(60,583)</b>	<b>9,638,914</b>
<b>REVENUE AND GAINS</b>				
Special Events	277,720	-	-	277,720
Miscellaneous Revenues	992	-	-	992
Interest Income	1,656	-	-	1,656
Gain on Disposal of Assets	-	-	-	-
<b>TOTAL REVENUE AND GAINS</b>	<b>280,368</b>	<b>-</b>	<b>-</b>	<b>280,368</b>
<b>TOTAL SUPPORT, REVENUE, AND GAINS</b>	<b>9,849,327</b>	<b>130,538</b>	<b>(60,583)</b>	<b>9,919,282</b>
<b>EXPENSES AND LOSSES</b>				
Program Services	8,061,736	60,583	(60,583)	8,061,736
Management and General	382,804	13,494	-	396,298
Fundraising	674,278	11,839	-	686,117
Special Events	126,185	-	-	126,185
Loss on Disposal of Assets	144	-	-	144
<b>TOTAL EXPENSES AND LOSSES</b>	<b>9,245,147</b>	<b>85,916</b>	<b>(60,583)</b>	<b>9,270,480</b>
<b>CHANGE IN NET ASSETS BEFORE DONATED LONG-TERM LEASE</b>				
	<b>604,180</b>	<b>44,622</b>	<b>-</b>	<b>648,802</b>
Donated Long-Term Lease (See Note 8)	3,886,643	-	-	3,886,643
Long-Term Donated Facilities Expense	(101,096)	-	-	(101,096)
<b>TOTAL CHANGE IN NET ASSETS FROM DONATED LONG-TERM LEASE</b>	<b>3,785,547</b>	<b>-</b>	<b>-</b>	<b>3,785,547</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,389,727</b>	<b>44,622</b>	<b>-</b>	<b>4,434,349</b>
Net Assets - Beginning of Year	1,590,927	6,000	-	1,596,927
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 5,980,654</b>	<b>\$ 50,622</b>	<b>\$ -</b>	<b>\$ 6,031,276</b>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATING SCHEDULES OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2017			
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
<b>SUPPORT, REVENUE, AND GAINS</b>				
<b>SUPPORT</b>				
Contributions	\$ 2,670,879	\$ 6,000	\$ (6,000)	\$ 2,670,879
Donated Drugs and Supplies	1,658,542	-	-	1,658,542
Donated Facilities	135,238	-	-	135,238
Donated Lab and X-Ray Services	1,804,479	-	-	1,804,479
Donated Services	1,734,058	-	-	1,734,058
Indigent Drug Program	568,252	-	-	568,252
<b>TOTAL SUPPORT</b>	<b>8,571,448</b>	<b>6,000</b>	<b>(6,000)</b>	<b>8,571,448</b>
<b>REVENUE AND GAINS</b>				
Special Events	235,933	-	-	235,933
Miscellaneous Revenues	892	-	-	892
Interest Income	1,339	-	-	1,339
Gain on Disposal of Assets	3,400	-	-	3,400
<b>TOTAL REVENUE AND GAINS</b>	<b>241,564</b>	<b>-</b>	<b>-</b>	<b>241,564</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>EXPENSES AND LOSSES</b>				
Program Services	7,804,059	-	-	7,804,059
Management and General	437,569	-	-	437,569
Fundraising	779,190	-	(6,000)	773,190
Special Events	91,153	-	-	91,153
Loss on Disposal of Assets	-	-	-	-
<b>TOTAL EXPENSES AND LOSSES</b>	<b>9,111,971</b>	<b>-</b>	<b>(6,000)</b>	<b>9,105,971</b>
<b>CHANGE IN NET ASSETS BEFORE DONATED LONG-TERM LEASE</b>	<b>(298,959)</b>	<b>6,000</b>	<b>-</b>	<b>(292,959)</b>
Donated Long-Term Lease (See Note 8)	-	-	-	-
Long-Term Donated Facilities Expense	-	-	-	-
<b>TOTAL CHANGE IN NET ASSETS FROM DONATED LONG-TERM LEASE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(298,959)</b>	<b>6,000</b>	<b>-</b>	<b>(292,959)</b>
Net Assets - Beginning of Year	1,889,886	-	-	1,889,886
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,590,927</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 1,596,927</b>