

MISSION OF MERCY, INC. AND  
SUPPORTING ORGANIZATION

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



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Mission of Mercy, 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 statement of financial position as of June 30, 2019 and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors consider 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, 2019, and the changes in their net assets and their cash flows for the year 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 21 - 27 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.

## **Prior Period Financial Statements**

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

*Brown Schultz Sheridan & Fritz*

Frederick, Maryland  
November 20, 2019

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 426,240	\$ 631,159
Restricted Cash	-	120,000
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$2,610 and \$3,063, respectively)	16,821	18,046
Use of Donated Facility	300,000	300,000
Inventory	1,036,008	973,392
Prepaid Expenses	2,511	9,402
<b>TOTAL CURRENT ASSETS</b>	<b>1,781,580</b>	<b>2,051,999</b>
<b>PROPERTY AND EQUIPMENT</b>		
Vehicle Under Construction	-	295,645
Dental Equipment	117,902	41,826
Medical Equipment	254,718	239,111
Office Equipment	51,918	50,111
Vehicles	1,030,607	725,829
	1,455,145	1,352,522
Less: Accumulated Depreciation	837,440	722,175
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>617,705</b>	<b>630,347</b>
<b>OTHER ASSETS</b>		
Security Deposit	123,517	3,517
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$29,890 and \$35,592, respectively)	171,784	178,586
Use of Donated Facility (Net of Unamortized Discount of \$537,765 and \$613,357, respectively)	3,261,139	3,485,547
<b>TOTAL OTHER ASSETS</b>	<b>3,556,440</b>	<b>3,667,650</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,955,725</b>	<b>\$ 6,349,996</b>

See Notes to Consolidated Financial Statements

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 30,316	\$ 41,654
Accrued Payroll Taxes	11,057	8,816
Accrued Salaries	146,159	117,741
Line of Credit	300,000	150,509
<b>TOTAL CURRENT LIABILITIES</b>	<b>487,532</b>	<b>318,720</b>
<b>TOTAL LIABILITIES</b>	<b>487,532</b>	<b>318,720</b>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	908,201	964,989
Board Designated	46,588	4,575
Total Without Donor Restrictions	954,789	969,564
With Donor Restrictions	4,513,404	5,061,712
<b>TOTAL NET ASSETS</b>	<b>5,468,193</b>	<b>6,031,276</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,955,725</b>	<b>\$ 6,349,996</b>

See Notes to Consolidated Financial Statements

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
<b>SUPPORT</b>						
Contributions	\$ 2,241,350	\$ 412,302	\$ 2,653,652	\$ 2,272,482	\$ 678,639	\$ 2,951,121
Donated Drugs and Supplies	4,335,038	-	4,335,038	2,033,761	-	2,033,761
Donated Facilities	102,008	-	102,008	116,924	-	116,924
Donated Lab and X-Ray Services	2,721,332	-	2,721,332	1,872,290	-	1,872,290
Donated Services	1,809,679	-	1,809,679	1,746,764	-	1,746,764
Indigent Drug Program	1,467,424	-	1,467,424	918,054	-	918,054
<b>TOTAL SUPPORT</b>	<b>12,676,831</b>	<b>412,302</b>	<b>13,089,133</b>	<b>8,960,275</b>	<b>678,639</b>	<b>9,638,914</b>
<b>REVENUE</b>						
Special Events	246,638	-	246,638	277,720	-	277,720
Miscellaneous Revenues	3,564	-	3,564	992	-	992
Interest Income	2,026	-	2,026	1,656	-	1,656
<b>TOTAL REVENUE</b>	<b>252,228</b>	<b>-</b>	<b>252,228</b>	<b>280,368</b>	<b>-</b>	<b>280,368</b>
<b>RESTRICTIONS SATISFIED BY PAYMENTS AND EXPIRATION OF TIME</b>						
	<b>736,202</b>	<b>(736,202)</b>	<b>-</b>	<b>620,525</b>	<b>(620,525)</b>	<b>-</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>13,665,261</b>	<b>(323,900)</b>	<b>13,341,361</b>	<b>9,861,168</b>	<b>58,114</b>	<b>9,919,282</b>
<b>EXPENSES AND LOSSES</b>						
Program Services	12,368,654	-	12,368,654	8,061,736	-	8,061,736
Management and General	484,160	-	484,160	396,298	-	396,298
Fundraising	749,379	-	749,379	686,117	-	686,117
Special Events	77,843	-	77,843	126,185	-	126,185
Loss on Disposal of Assets	-	-	-	144	-	144
<b>TOTAL EXPENSES AND LOSSES</b>	<b>13,680,036</b>	<b>-</b>	<b>13,680,036</b>	<b>9,270,480</b>	<b>-</b>	<b>9,270,480</b>
<b>CHANGE IN NET ASSETS BEFORE DONATED LONG-TERM LEASE</b>						
	<b>(14,775)</b>	<b>(323,900)</b>	<b>(338,675)</b>	<b>590,688</b>	<b>58,114</b>	<b>648,802</b>
Donated Long-Term Lease	-	75,592	75,592	-	3,886,643	3,886,643
Lease Restrictions Satisfied by Expiration of Time	300,000	(300,000)	-	101,096	(101,096)	-
Long-Term Donated Facilities Expense	(300,000)	-	(300,000)	(101,096)	-	(101,096)
<b>TOTAL CHANGE IN NET ASSETS FROM DONATED LONG-TERM LEASE</b>	<b>-</b>	<b>(224,408)</b>	<b>(224,408)</b>	<b>-</b>	<b>3,785,547</b>	<b>3,785,547</b>
<b>CHANGE IN NET ASSETS</b>	<b>(14,775)</b>	<b>(548,308)</b>	<b>(563,083)</b>	<b>590,688</b>	<b>3,843,661</b>	<b>4,434,349</b>
Net Assets - Beginning of Year	969,564	5,061,712	6,031,276	378,876	1,218,051	1,596,927
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 954,789</b>	<b>\$ 4,513,404</b>	<b>\$ 5,468,193</b>	<b>\$ 969,564</b>	<b>\$ 5,061,712</b>	<b>\$ 6,031,276</b>

See Notes to Consolidated Financial Statements

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019						2018					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Health Services Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses	Health Services Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses
In-Kind Expenses												
Donated Drugs and Supplies	\$ 4,365,068	\$ 90	\$ 4,365,158	\$ 279	\$ 263	\$ 4,365,700	\$ 1,730,519	\$ -	\$ 1,730,519	\$ -	\$ -	\$ 1,730,519
Donated Facilities	81,979	500	82,479	18,063	1,466	102,008	88,074	500	88,574	26,884	1,466	116,924
Donated Lab and X-Ray Services	2,721,332	-	2,721,332	-	-	2,721,332	1,872,290	-	1,872,290	-	-	1,872,290
Donated Services	1,780,041	3,759	1,783,800	14,648	11,231	1,809,679	1,716,931	3,730	1,720,661	15,160	10,943	1,746,764
Indigent Drug Program	1,376,359	-	1,376,359	-	-	1,376,359	968,374	-	968,374	-	-	968,374
Total In-Kind Expenses	<u>10,324,779</u>	<u>4,349</u>	<u>10,329,128</u>	<u>32,990</u>	<u>12,960</u>	<u>10,375,078</u>	<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>
Salaries	1,008,458	71,194	1,079,652	231,465	306,350	1,617,467	849,304	54,504	903,808	172,768	279,750	1,356,326
Consultants	38,830	1,458	40,288	-	-	40,288	21,657	19,813	41,470	-	1,220	42,690
Employee Benefits	153,005	10,748	163,753	20,237	42,366	226,356	121,234	8,911	130,145	14,536	45,427	190,108
Payroll Taxes	80,335	6,069	86,404	13,082	25,368	124,854	65,906	4,232	70,138	13,535	21,800	105,473
Depreciation	113,448	112	113,560	3,126	327	117,013	72,168	103	72,271	2,329	299	74,899
Donor Development	-	-	-	-	43,886	43,886	-	-	-	-	17,035	17,035
Insurance	57,962	51	58,013	7,384	268	65,665	49,685	602	50,287	5,735	1,765	57,787
Interest	-	-	-	13,177	-	13,177	-	-	-	6,297	-	6,297
Medications and Medical Supplies	127,369	-	127,369	-	-	127,369	131,580	4,050	135,630	-	-	135,630
Occupancy	103,493	8,674	112,167	46,573	36,967	195,707	81,773	8,813	90,586	42,931	39,902	173,419
Office Expenses	69,244	6,761	76,005	47,235	36,007	159,247	62,695	7,374	70,069	39,329	35,145	144,543
Postage and Printing	11,301	133	11,434	10,090	48,238	69,762	13,672	93	13,765	6,612	36,843	57,220
Professional Fees	38,431	9,282	47,713	29,737	172,473	249,923	29,661	14,069	43,730	25,414	173,104	242,248
Public Health Awareness Campaign	48,000	-	48,000	-	-	48,000	-	-	-	-	-	-
Repairs and Maintenance	44,519	1,432	45,951	8,854	4,119	58,924	24,927	1,278	26,205	6,130	3,737	36,072
Travel and Entertainment	18,343	3,776	22,119	18,638	18,472	59,229	17,603	3,943	21,546	16,127	15,956	53,629
Miscellaneous	7,039	59	7,098	1,572	1,578	10,248	11,646	22	11,668	2,511	1,725	15,904
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u><b>\$ 12,244,556</b></u>	<u><b>\$ 124,098</b></u>	<u><b>\$ 12,368,654</b></u>	<u><b>\$ 484,160</b></u>	<u><b>\$ 749,379</b></u>	<u><b>\$ 13,602,193</b></u>	<u><b>\$ 7,929,699</b></u>	<u><b>\$ 132,037</b></u>	<u><b>\$ 8,061,736</b></u>	<u><b>\$ 396,298</b></u>	<u><b>\$ 686,117</b></u>	<u><b>\$ 9,144,151</b></u>

See Notes to Consolidated Financial Statements



**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Inflows:		
Receipts from Contributions	\$ 2,661,679	\$ 2,988,567
Receipts from Special Events	246,638	277,720
Miscellaneous Receipts	3,564	992
Interest Income Received	2,026	1,656
	2,913,907	3,268,935
Outflows:		
Payments to Employees	1,589,049	1,354,654
Payments to Suppliers	1,603,877	1,248,300
Payments for Special Events	77,843	135,356
Payments for Interest	13,177	6,297
	3,283,946	2,744,607
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(370,039)</b>	<b>524,328</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Inflows:		
Proceeds from Sale of Assets	-	1
Outflows:		
Purchase of Property and Equipment	104,371	424,507
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(104,371)</b>	<b>(424,506)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Inflows:		
Net Change on Line of Credit	149,491	-
Outflows:		
Net Change on Line of Credit	-	149,491
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>149,491</b>	<b>(149,491)</b>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>(324,919)</b>	<b>(49,669)</b>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	751,159	800,828
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 426,240</b>	<b>\$ 751,159</b>

See Notes to Consolidated Financial Statements

**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, “healing through love” by providing free healthcare. 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 relies entirely on public and private donations as well as significant donated services and materials to operate.

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.

*Basis of Accounting*

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

*Cash and Cash Equivalents*

For purposes of 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.

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

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows, as management believes that this is the most accurate method of reporting the receivables and related revenues. The effect of the change in the market interest rate and historical trends of collection and the corresponding changes in fair value of unconditional promises to give resulted in an increase in contributions revenue of \$9,990 for the year ended June 30, 2019 and a decrease in contributions revenue of \$24,937 for the year ended June 30, 2018.

Inventory

Inventory of medications is maintained by the Organization and is 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, typically 5-7 years.

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 without donor restrictions 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 revenue (support) with donor restrictions.

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 net assets with donor restrictions to net assets without donor restrictions at that time.

Net Assets

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

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

## MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### Contributions

Support and revenue are recorded as net assets without donor restrictions or net assets with donor restrictions 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 support with donor restrictions 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 net assets without donor restrictions. Long-term donated facilities leases are recorded as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions over the term of the lease.

All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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 net assets with donor restrictions. These restrictions expire based on the terms of the lease agreements, and the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions 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*

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

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

## MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. However, the Organization does incur income tax expense related to disallowed fringe benefits provided to employees on a tax-free basis.

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

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

#### 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.

#### **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.

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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, 2019, the cash deposits do not exceed the limit.

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>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 426,240	\$ 631,159
Restricted Cash	<u>-</u>	<u>120,000</u>
Total Cash, Cash Equivalents, and Restricted Cash shown in the consolidated statements of cash flows	<u>\$ 426,240</u>	<u>\$ 751,159</u>

Amounts included in restricted cash represent those required to be set aside as a maintenance reserve account under a facility lease (see Note 9).

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

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

Cash and Cash Equivalents	\$ 426,240	
Unconditional Promises to Give, Current Portion	<u>16,821</u>	
Financial assets, as of June 30, 2019		443,061
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions		780,481
Board designations:		
Program development funds		<u>46,588</u>
		<u>\$ (384,008)</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$500,000 (of which \$200,000 was available as of June 30, 2019), which it could draw upon. Additionally, the board has designated funds that they could reclass, if desired.

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**Note 4. Unconditional Promises to Give**

The Organization uses a fundraising model that has resulted in receiving unconditional promises to give over time to benefit the Organization. As of June 30, 2019, collections were expected pertaining to multi-year commitments as follows:

Less than One Year	\$ 19,431
One to Five Years	148,202
Thereafter	<u>74,360</u>
	241,993
Less: Discounts to Net Present Value (see Note 11)	20,888
Less: Allowance for Uncollectible Promises Receivable (see Note 11)	<u>32,500</u>
Net Unconditional Promises to Give	<u>\$ 188,605</u>

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

	<u>2019</u>	<u>2018</u>
Arizona	\$ 129,414	\$ 146,264
Maryland/Pennsylvania	38,344	18,573
Texas	<u>20,847</u>	<u>31,795</u>
	<u>\$ 188,605</u>	<u>\$ 196,632</u>

**Note 5. Inventory**

Inventory consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Purchased Drugs and Other Medical Supplies	\$ 9,123	\$ 6,910
Donated Drugs and Other Medical Supplies (see Note 9)	896,785	927,447
Indigent Drugs (see Note 10)	<u>130,100</u>	<u>39,035</u>
	<u>\$ 1,036,008</u>	<u>\$ 973,392</u>

**Note 6. Line of Credit**

The Organization has a revolving line of credit with a financial institution for \$500,000. The line of credit is secured by all business assets. The Organization had \$200,000 in available funds as of June 30, 2019. As of June 30, 2019, interest of 5.75% 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



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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 7. Net Assets**

The board has designated net assets without donor restrictions 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, 2019 and 2018 were \$46,588 and \$4,575, respectively.

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Arizona		
Clinics	\$ 109,355	\$ 106,000
Capacity Building Efforts	154,100	294,334
Equipment Repairs	1,000	-
Purchase of new mobile van and East Valley Expansion in Arizona	355,000	355,000
Mission of Mercy Arizona Health Partnership Fund - Arizona Clinics	48,392	41,514
Maryland/Pennsylvania		
Medical Clinics	81,144	66,467
Documentary Movie	-	25,000
Dental Clinics	27,500	-
Dental Initiative	126,286	244,772
Partner and Grow Initiative	7,500	-
Texas		
Clinics	35,848	137,828
Use of Donated Facility (see Note 9)	3,561,139	3,785,547
Technology Upgrade	5,640	4,750
Other		
Nonprofit Standards for Excellence Accreditation	<u>500</u>	<u>500</u>
	<u>\$ 4,513,404</u>	<u>\$ 5,061,712</u>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
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**Note 8. Operating Leases**

The Organization leases office and storage space in Frederick, Maryland; Gettysburg, Pennsylvania; Fairfield, 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 9). Office rent expense, presented in occupancy expense, totaled \$89,109 and \$93,641 for the years ended June 30, 2019 and 2018, respectively. These leases expire between November 2019 and October 2022. Future monthly lease payments range between \$750 and \$3,731.

The Organization also leases a number of copiers. These leases expire between October 2019 to February 2022. Future monthly lease payments range from \$73 to \$245. Copier lease expense, presented in repairs and maintenance expense, totaled \$17,801 and \$15,101 for the years ended June 30, 2019 and 2018, respectively.

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

2020	\$ 69,546
2021	49,512
2022	48,958
2023	<u>15,804</u>
Total	<u>\$ 183,820</u>

**Note 9. 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 \$2,721,332 and \$1,872,290 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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 \$1,768,797 and \$1,703,405, respectively. The services recognized in the consolidated financial statements represent 30,638 and 29,931 hours of time contributed for the years ended June 30, 2019 and 2018, respectively. In addition, for the years ended June 30, 2019 and 2018, accountants, attorneys, and other professionals donated services valued at \$40,882 and \$43,359, 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

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
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under accounting rules. These services represent an estimated 19,323 and 18,580 hours for the years ended June 30, 2019 and 2018, respectively.

For the years ended June 30, 2019 and 2018, the Organization recognized revenue (support) from donated drugs and supplies valued at \$4,335,038 and \$2,033,761, respectively, which included donated office equipment valued at \$2,006 and \$491, 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, 2019 and 2018 was valued at \$896,785 and \$927,447, respectively (see Notes 5 and 11).

During the years ended June 30, 2019 and 2018, the Organization used short-term donated facilities valued at \$102,008 and \$116,924, 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 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. Upon the termination of the lease for any reason, all remaining funds in the maintenance reserve account will be paid to the landlord at end of lease unless the landlord decides to release it to the Organization. The \$120,000 is presented on the consolidated statements of net position in security deposits as of June 30, 2019 and as restricted cash as of June 30, 2018. 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, 2019, long-term donated facilities expense and net assets released from restrictions totaled \$300,000.

Use of donated facility is as follows as of June 30, 2019:

Receivable in one to five years	\$ 1,500,000
Receivable in greater than five years	<u>2,598,904</u>
	4,098,904
Less: Unamortized Discount to Net Present Value	<u>537,765</u>
Net Use of Donated Facility	<u>\$ 3,561,139</u>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
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**Note 10. 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, 2019 and 2018, the Organization recognized revenue from medications received from these programs of \$1,467,424 and \$918,054, 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, 2019 and 2018 was valued at \$130,100 and \$39,035, respectively (see Notes 5 and 11).

**Note 11. Fair Value Measurements**

The Organization uses a framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value using a fair value hierarchy. The following are the major categories of assets measured at fair value on a recurring basis during the years ended June 30, 2019 and 2018: those using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The 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 5, 9 and 10) - Valued at current unadjusted quoted wholesale or discount supplier prices (a Level 1 measurement).

Use of Donated Facility (see Note 9) - 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

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

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 4)* - 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 future cash flows by the risk-free interest rate of 2.02% and 2.86% as of June 30, 2019 and 2018, respectively, to determine the net present value of the promises to give.

The carrying amount of these unconditional promises to give is reduced by an additional valuation allowance that reflects the Organization's best estimate of collectability, determined principally on the basis of historical experience while also recognizing the good faith and reliability of its donors. As of June 30, 2019 and 2018, unconditional promises to give to the Organization were discounted by an additional 13.43% and 14.51%, respectively.

The preceding 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, 2019 and 2018.

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

	2019		
	Level 1	Level 2	Total
Donated Drug Inventory	\$ 896,785	\$ -	\$ 896,785
Indigent Drug Inventory	130,100	-	130,100
Use of Donated Facility	-	3,561,139	3,561,139
Unconditional Promises to Give	-	188,605	188,605
Total Assets at Fair Value	\$ 1,026,885	\$ 3,749,744	\$ 4,776,629

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

	2018		
	Level 1	Level 2	Total
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	-	196,632	196,632
Total Assets at Fair Value	\$ 966,482	\$ 3,982,179	\$ 4,948,661

**Note 12. Concentration of Contributions**

The Organization relies entirely on public and private donations as well as significant donated services and materials to operate. Approximately 30% and 16% of the Organization's support was provided by AmeriCares Foundation, Inc. for the years ended June 30, 2019 and 2018, respectively, all of which was in the form of donated prescription medications and medical supplies.

**Note 13. 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, 2019 and 2018. This plan is tax exempt and has been approved by the Internal Revenue Service.

**Note 14. Subsequent Events**

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

**SUPPLEMENTARY INFORMATION**

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

Schedule "1"

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

MARYLAND/PENNSYLVANIA

	2019						2018					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Health Services Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses	Health Services Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses
In-Kind Expenses												
Donated Drugs and Supplies	\$ 2,451,686	\$ 31	\$ 2,451,717	\$ 92	\$ 92	\$ 2,451,901	\$ 1,198,252	\$ -	\$ 1,198,252	\$ -	\$ -	\$ 1,198,252
Donated Facilities	36,191	170	36,361	17,023	510	53,894	37,201	170	37,371	17,023	510	54,904
Donated Lab and X-Ray Services	339,878	-	339,878	-	-	339,878	276,067	-	276,067	-	-	276,067
Donated Services	603,545	1,278	604,823	3,834	3,834	612,491	590,646	1,268	591,914	3,805	3,805	599,524
Indigent Drug Program	64,983	-	64,983	-	-	64,983	32,381	-	32,381	-	-	32,381
Total In-Kind Expenses	3,496,283	1,479	3,497,762	20,949	4,436	3,523,147	2,134,547	1,438	2,135,985	20,828	4,315	2,161,128
Salaries	394,532	17,257	411,789	80,237	126,275	618,301	311,953	13,854	325,807	67,547	115,897	509,251
Consultants	-	-	-	-	-	-	-	-	-	-	-	-
Employee Benefits	46,903	1,668	48,571	6,202	21,070	75,843	58,535	1,447	59,982	4,352	19,337	83,671
Payroll Taxes	32,780	1,190	33,970	4,896	10,171	49,037	24,918	1,100	26,018	5,392	9,283	40,693
Depreciation	64,416	38	64,454	723	114	65,291	32,492	35	32,527	714	105	33,346
Donor Development	-	-	-	-	560	560	-	-	-	-	553	553
Insurance	19,167	17	19,184	2,232	52	21,468	13,462	205	13,667	1,474	614	15,755
Interest	-	-	-	13,177	-	13,177	-	-	-	6,297	-	6,297
Medications and Medical Supplies	31,164	-	31,164	-	-	31,164	37,638	-	37,638	-	-	37,638
Occupancy	35,874	2,359	38,233	15,811	15,576	69,620	26,429	2,657	29,086	17,149	17,896	64,131
Office Expenses	23,788	3,246	27,034	12,335	12,768	52,137	20,221	3,832	24,053	13,164	11,407	48,624
Postage and Printing	3,004	45	3,049	6,990	26,736	36,775	4,272	32	4,304	3,073	24,943	32,320
Professional Fees	9,212	4,356	13,568	8,510	63,892	85,970	8,210	9,589	17,799	9,393	50,014	77,206
Public Health Awareness Campaign	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	25,072	990	26,062	5,394	2,708	34,164	9,679	936	10,615	4,099	2,722	17,436
Travel and Entertainment	10,445	1,050	11,495	4,653	11,012	27,160	7,594	964	8,558	4,230	7,656	20,444
Miscellaneous	2,257	39	2,296	539	251	3,086	1,656	19	1,675	629	859	3,163
<b>TOTAL EXPENSES</b>	<b>\$ 4,194,897</b>	<b>\$ 33,734</b>	<b>\$ 4,228,631</b>	<b>\$ 182,648</b>	<b>\$ 295,621</b>	<b>\$ 4,706,900</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>



MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

Schedule "1"

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

ARIZONA

	2019						2018					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Health Services Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses	Health Services Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses
In-Kind Expenses												
Donated Drugs and Supplies	\$ 1,896,946	\$ 59	\$ 1,897,005	\$ 89	\$ 74	\$ 1,897,168	\$ 520,509	\$ -	\$ 520,509	\$ -	\$ -	\$ 520,509
Donated Facilities	44,313	330	44,643	495	413	45,551	43,390	330	43,720	495	413	44,628
Donated Lab and X-Ray Services	339,420	-	339,420	-	-	339,420	276,806	-	276,806	-	-	276,806
Donated Services	794,609	2,481	797,090	6,721	3,307	807,118	843,442	2,462	845,904	7,293	3,077	856,274
Indigent Drug Program	38,768	-	38,768	-	-	38,768	30,047	-	30,047	-	-	30,047
Total In-Kind Expenses	3,114,056	2,870	3,116,926	7,305	3,794	3,128,025	1,714,194	2,792	1,716,986	7,788	3,490	1,728,264
Salaries	326,427	53,937	380,364	74,436	100,620	555,420	311,987	40,650	352,637	73,968	132,600	559,205
Consultants	38,830	1,458	40,288	-	-	40,288	21,657	19,813	41,470	-	1,220	42,690
Employee Benefits	59,558	9,080	68,638	10,528	9,501	88,667	42,959	7,464	50,423	8,483	24,390	83,296
Payroll Taxes	23,912	4,879	28,791	5,234	8,173	42,198	23,859	3,132	26,991	5,718	10,093	42,802
Depreciation	18,142	74	18,216	555	92	18,863	21,197	68	21,265	708	85	22,058
Donor Development	-	-	-	-	33,514	33,514	-	-	-	-	16,482	16,482
Insurance	26,746	34	26,780	3,717	42	30,539	25,975	397	26,372	3,593	496	30,461
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Medications and Medical Supplies	90,615	-	90,615	-	-	90,615	83,638	4,050	87,688	-	-	87,688
Occupancy	29,374	6,315	35,689	20,451	14,827	70,967	28,567	6,156	34,723	18,804	17,170	70,697
Office Expenses	19,328	3,515	22,843	18,358	10,756	51,957	21,627	3,542	25,169	14,837	10,949	50,955
Postage and Printing	1,796	88	1,884	1,047	13,261	16,192	2,223	61	2,284	1,769	9,798	13,851
Professional Fees	19,343	4,926	24,269	13,266	57,470	95,005	8,353	4,480	12,833	8,666	74,646	96,145
Public Health Awareness Campaign	48,000	-	48,000	-	-	48,000	-	-	-	-	-	-
Repairs and Maintenance	12,976	442	13,418	1,055	1,010	15,483	13,801	342	14,143	1,619	823	16,585
Travel and Entertainment	3,257	2,726	5,983	3,801	3,928	13,712	5,199	2,979	8,178	5,033	3,571	16,782
Miscellaneous	2,132	20	2,152	435	111	2,698	7,011	3	7,014	1,322	394	8,730
<b>TOTAL EXPENSES</b>	<b>\$ 3,834,492</b>	<b>\$ 90,364</b>	<b>\$ 3,924,856</b>	<b>\$ 160,188</b>	<b>\$ 257,099</b>	<b>\$ 4,342,143</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>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**  
**TEXAS**

*Schedule "1"*

	2019						2018					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Health Services Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses	Health Services Program	Community Connections Program	Total Program	Management and General	Fundraising	Total Functional Expenses
In-Kind Expenses												
Donated Drugs and Supplies	\$ 16,436	\$ -	\$ 16,436	\$ 98	\$ 97	\$ 16,631	\$ 11,758	\$ -	\$ 11,758	\$ -	\$ -	\$ 11,758
Donated Facilities	1,475	-	1,475	545	543	2,563	7,483	-	7,483	9,366	543	17,392
Donated Lab and X-Ray Services	2,042,034	-	2,042,034	-	-	2,042,034	1,319,417	-	1,319,417	-	-	1,319,417
Donated Services	381,887	-	381,887	4,093	4,090	390,070	282,843	-	282,843	4,062	4,061	290,966
Indigent Drug Program	1,272,608	-	1,272,608	-	-	1,272,608	905,946	-	905,946	-	-	905,946
Total In-Kind Expenses	3,714,440	-	3,714,440	4,736	4,730	3,723,906	2,527,447	-	2,527,447	13,428	4,604	2,545,479
Salaries	287,499	-	287,499	76,792	79,455	443,746	225,364	-	225,364	31,253	31,253	287,870
Consultants	-	-	-	-	-	-	-	-	-	-	-	-
Employee Benefits	46,544	-	46,544	3,507	11,795	61,846	19,740	-	19,740	1,701	1,700	23,141
Payroll Taxes	23,643	-	23,643	2,952	7,024	33,619	17,129	-	17,129	2,425	2,424	21,978
Depreciation	30,890	-	30,890	1,848	121	32,859	18,479	-	18,479	907	109	19,495
Donor Development	-	-	-	-	9,812	9,812	-	-	-	-	-	-
Insurance	12,049	-	12,049	1,435	174	13,658	10,248	-	10,248	668	655	11,571
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Medications and Medical Supplies	5,590	-	5,590	-	-	5,590	10,304	-	10,304	-	-	10,304
Occupancy	38,245	-	38,245	10,311	6,564	55,120	26,777	-	26,777	6,978	4,836	38,591
Office Expenses	26,128	-	26,128	16,542	12,483	55,153	20,847	-	20,847	11,328	12,789	44,964
Postage and Printing	6,501	-	6,501	2,053	8,241	16,795	7,177	-	7,177	1,770	2,102	11,049
Professional Fees	9,876	-	9,876	7,961	51,111	68,948	13,098	-	13,098	7,355	48,444	68,897
Public Health Awareness Campaign	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	6,471	-	6,471	2,405	401	9,277	1,447	-	1,447	412	192	2,051
Travel and Entertainment	4,641	-	4,641	10,184	3,532	18,357	4,810	-	4,810	6,864	4,729	16,403
Miscellaneous	2,650	-	2,650	598	1,216	4,464	2,979	-	2,979	560	472	4,011
<b>TOTAL EXPENSES</b>	<b>\$ 4,215,167</b>	<b>\$ -</b>	<b>\$ 4,215,167</b>	<b>\$ 141,324</b>	<b>\$ 196,659</b>	<b>\$ 4,553,150</b>	<b>\$ 2,905,846</b>	<b>\$ -</b>	<b>\$ 2,905,846</b>	<b>\$ 85,649</b>	<b>\$ 114,309</b>	<b>\$ 3,105,804</b>
<b>GRAND TOTAL FOR ALL REGIONS</b>	<b>\$ 12,244,556</b>	<b>\$ 124,098</b>	<b>\$ 12,368,654</b>	<b>\$ 484,160</b>	<b>\$ 749,379</b>	<b>\$ 13,602,193</b>	<b>\$ 7,929,699</b>	<b>\$ 132,037</b>	<b>\$ 8,061,736</b>	<b>\$ 396,298</b>	<b>\$ 686,117</b>	<b>\$ 9,144,151</b>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 419,466	\$ 6,774	\$ -	\$ 426,240
Restricted Cash	-	-	-	-
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$2,610)	14,817	2,004	-	16,821
Use of Donated Facility	300,000	-	-	300,000
Inventory	1,036,008	-	-	1,036,008
Prepaid Expenses	2,511	-	-	2,511
<b>TOTAL CURRENT ASSETS</b>	<b>1,772,802</b>	<b>8,778</b>	<b>-</b>	<b>1,781,580</b>
<b>PROPERTY AND EQUIPMENT</b>				
Vehicle Under Construction	-	-	-	-
Dental Equipment	117,902	-	-	117,902
Medical Equipment	254,718	-	-	254,718
Office Equipment	51,918	-	-	51,918
Vehicles	1,030,607	-	-	1,030,607
	1,455,145	-	-	1,455,145
Less: Accumulated Depreciation	837,440	-	-	837,440
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>617,705</b>	<b>-</b>	<b>-</b>	<b>617,705</b>
<b>OTHER ASSETS</b>				
Security Deposit	123,517	-	-	123,517
Unconditional Promises to Give (Less Allowance for Uncollectible Promises of \$29,890)	125,396	46,388	-	171,784
Use of Donated Facility (Net of Unamortized Discount of \$537,765)	3,261,139	-	-	3,261,139
<b>TOTAL OTHER ASSETS</b>	<b>3,510,052</b>	<b>46,388</b>	<b>-</b>	<b>3,556,440</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,900,559</b>	<b>\$ 55,166</b>	<b>\$ -</b>	<b>\$ 5,955,725</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 29,700	\$ 616	\$ -	\$ 30,316
Accrued Payroll Taxes	11,057	-	-	11,057
Accrued Salaries	145,198	961	-	146,159
Line of Credit	300,000	-	-	300,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>485,955</b>	<b>1,577</b>	<b>-</b>	<b>487,532</b>
<b>TOTAL LIABILITIES</b>	<b>485,955</b>	<b>1,577</b>	<b>-</b>	<b>487,532</b>
<b>NET ASSETS</b>				
Without Donor Restrictions				
Undesignated	903,004	5,197	-	908,201
Board Designated	46,588	-	-	46,588
Total Without Donor Restrictions	949,592	5,197	-	954,789
With Donor Restrictions	4,465,012	48,392	-	4,513,404
<b>TOTAL NET ASSETS</b>	<b>5,414,604</b>	<b>53,589</b>	<b>-</b>	<b>5,468,193</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,900,559</b>	<b>\$ 55,166</b>	<b>\$ -</b>	<b>\$ 5,955,725</b>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	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	300,000	-	-	300,000
Inventory	973,392	-	-	973,392
Prepaid Expenses	9,402	-	-	9,402
<b>TOTAL CURRENT ASSETS</b>	<b>2,037,543</b>	<b>14,456</b>	<b>-</b>	<b>2,051,999</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)	3,485,547	-	-	3,485,547
<b>TOTAL OTHER ASSETS</b>	<b>3,630,172</b>	<b>37,478</b>	<b>-</b>	<b>3,667,650</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>				
Without Donor Restrictions				
Undesignated	955,881	9,108	-	964,989
Board Designated	4,575	-	-	4,575
Total Without Donor Restrictions	960,456	9,108	-	969,564
With Donor Restrictions	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 ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
<b>SUPPORT AND REVENUE</b>				
<b>SUPPORT</b>				
Contributions	\$ 2,617,786	\$ 118,959	\$ (83,093)	\$ 2,653,652
Donated Drugs and Supplies	4,335,038	-	-	4,335,038
Donated Facilities	102,008	-	-	102,008
Donated Lab and X-Ray Services	2,721,332	-	-	2,721,332
Donated Services	1,806,679	3,000	-	1,809,679
Indigent Drug Program	1,467,424	-	-	1,467,424
<b>TOTAL SUPPORT</b>	<b>13,050,267</b>	<b>121,959</b>	<b>(83,093)</b>	<b>13,089,133</b>
<b>REVENUE</b>				
Special Events	246,638	-	-	246,638
Miscellaneous Revenues	3,564	-	-	3,564
Interest Income	2,026	-	-	2,026
<b>TOTAL REVENUE</b>	<b>252,228</b>	<b>-</b>	<b>-</b>	<b>252,228</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>13,302,495</b>	<b>121,959</b>	<b>(83,093)</b>	<b>13,341,361</b>
<b>EXPENSES AND LOSSES</b>				
Program Services	12,368,654	83,093	(83,093)	12,368,654
Management and General	463,991	20,169	-	484,160
Fundraising	733,649	15,730	-	749,379
Special Events	77,843	-	-	77,843
Loss on Disposal of Assets	-	-	-	-
<b>TOTAL EXPENSES AND LOSSES</b>	<b>13,644,137</b>	<b>118,992</b>	<b>(83,093)</b>	<b>13,680,036</b>
<b>CHANGE IN NET ASSETS BEFORE DONATED LONG-TERM LEASE</b>				
	<b>(341,642)</b>	<b>2,967</b>	<b>-</b>	<b>(338,675)</b>
Donated Long-Term Lease	75,592	-	-	75,592
Long-Term Donated Facilities Expense	(300,000)	-	-	(300,000)
<b>TOTAL CHANGE IN NET ASSETS FROM DONATED LONG-TERM LEASE</b>	<b>(224,408)</b>	<b>-</b>	<b>-</b>	<b>(224,408)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(566,050)</b>	<b>2,967</b>	<b>-</b>	<b>(563,083)</b>
Net Assets - Beginning of Year	5,980,654	50,622	-	6,031,276
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 5,414,604</b>	<b>\$ 53,589</b>	<b>\$ -</b>	<b>\$ 5,468,193</b>

**MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION**  
**CONSOLIDATING SCHEDULES OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2018			
	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
<b>SUPPORT AND REVENUE</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</b>				
Special Events	277,720	-	-	277,720
Miscellaneous Revenues	992	-	-	992
Interest Income	1,656	-	-	1,656
<b>TOTAL REVENUE</b>	<b>280,368</b>	<b>-</b>	<b>-</b>	<b>280,368</b>
<b>TOTAL SUPPORT AND REVENUE</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	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>