

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

**YEARS ENDED
JUNE 30, 2020 AND 2019**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

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, 2020 and 2019 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's 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 audits 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 auditor's 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements for the year ended June 30, 2020, the Organization adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-18, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization applied the standard on a modified prospective basis to agreements that were not completed as of July 1, 2019, or entered into after July 1, 2019. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of functional expenses by region, the consolidating schedules of financial position and the consolidating schedules of activities on pages 26-34 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.

Brown Schultz Steindam's Fritz

Frederick, Maryland
November 3, 2020

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 1,049,107	\$ 71,240
Unconditional promises to give (less allowance for uncollectible promises of \$4,115 and \$2,610, respectively)	188,861	16,821
Use of donated facility	300,000	300,000
Inventory	903,827	1,036,008
Prepaid expenses	<u>2,795</u>	<u>2,511</u>
Total current assets	<u>2,444,590</u>	<u>1,426,580</u>
Property and equipment:		
Vehicle under construction	142,593	
Dental equipment	115,809	117,902
Medical equipment	299,676	254,718
Office equipment	51,073	51,918
Vehicles	<u>723,457</u>	<u>1,030,607</u>
	1,332,608	1,455,145
Accumulated depreciation	<u>667,053</u>	<u>837,440</u>
Total property and equipment	<u>665,555</u>	<u>617,705</u>
Other assets:		
Cash and cash equivalents restricted for acquisition of property and equipment	120,693	355,000
Security deposit	124,853	123,517
Unconditional promises to give (less allowance for uncollectible promises of \$15,874 and \$29,890, respectively)	116,140	171,784
Use of donated facility (net of unamortized discount of \$466,660 and \$537,765, respectively)	<u>3,032,244</u>	<u>3,261,139</u>
Total other assets	<u>3,393,930</u>	<u>3,911,440</u>
Total assets	<u>\$ 6,504,075</u>	<u>\$ 5,955,725</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts payable	\$ 46,481	\$ 30,316
Accrued:		
Payroll taxes	9,501	11,057
Salaries	126,940	146,159
Current portion of Paycheck Protection Program loan	175,549	
Line of credit		300,000
	<u>358,471</u>	<u>487,532</u>
Total current liabilities	358,471	487,532
Long-term liabilities, Paycheck Protection Program loan	198,351	
	<u>198,351</u>	<u> </u>
Total liabilities	556,822	487,532
	<u>556,822</u>	<u>487,532</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,298,593	908,201
Board designated	387,593	46,588
	<u>1,686,186</u>	<u>954,789</u>
Total without donor restrictions	1,686,186	954,789
With donor restrictions	4,261,067	4,513,404
	<u>4,261,067</u>	<u>4,513,404</u>
Total net assets	5,947,253	5,468,193
	<u>5,947,253</u>	<u>5,468,193</u>
Total liabilities and net assets	\$ 6,504,075	\$ 5,955,725
	<u>\$ 6,504,075</u>	<u>\$ 5,955,725</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue:						
Support:						
Contributions	\$ 2,815,202	\$ 666,219	\$ 3,481,421	\$ 2,241,350	\$ 412,302	\$ 2,653,652
Donated:						
Drugs and supplies	3,198,605		3,198,605	4,335,038		4,335,038
Facilities	111,160		111,160	102,008		102,008
Lab and x-ray services	1,613,613		1,613,613	2,721,332		2,721,332
Services	1,442,290		1,442,290	1,809,679		1,809,679
Indigent drug program	1,203,648		1,203,648	1,467,424		1,467,424
Total support	10,384,518	666,219	11,050,737	12,676,831	412,302	13,089,133
Revenue:						
Special events	255,218		255,218	246,638		246,638
Miscellaneous revenues	10,526		10,526	3,564		3,564
Interest income	2,481		2,481	2,026		2,026
Total revenue	268,225		268,225	252,228		252,228
Gains, gain on disposal of assets	150,816		150,816			
Restrictions satisfied by payments and expiration of time	689,661	(689,661)	-	736,202	(736,202)	-
Total support, revenue and gains	11,493,220	(23,442)	11,469,778	13,665,261	(323,900)	13,341,361

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MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Expenses:						
Program services	\$ 9,580,663		\$ 9,580,663	\$ 12,368,654		\$ 12,368,654
Management and general	436,326		436,326	484,160		484,160
Fundraising	645,594		645,594	749,379		749,379
Special events	99,240		99,240	77,843		77,843
Total expenses	10,761,823		10,761,823	13,680,036		13,680,036
Change in net assets before donated long-term lease	731,397	\$ (23,442)	707,955	(14,775)	\$ (323,900)	(338,675)
Donated long-term lease		71,105	71,105		75,592	75,592
Lease restrictions satisfied by expiration of time	300,000	(300,000)	-	300,000	(300,000)	-
Long-term donated facilities expense	(300,000)		(300,000)	(300,000)		(300,000)
Total changes in net assets from donated long-term lease	-	(228,895)	(228,895)	-	(224,408)	(224,408)
Change in net assets	731,397	(252,337)	479,060	(14,775)	(548,308)	(563,083)
Net assets:						
Beginning of year	954,789	4,513,404	5,468,193	969,564	5,061,712	6,031,276
End of year	\$ 1,686,186	\$ 4,261,067	\$ 5,947,253	\$ 954,789	\$ 4,513,404	\$ 5,468,193

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020						2019					
	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	\$ 3,242,490		\$ 3,242,490			\$ 3,242,490	\$ 4,365,068	\$ 90	\$ 4,365,158	\$ 279	\$ 263	\$ 4,365,700
Facilities	94,647		94,647	\$ 16,513		111,160	81,979	500	82,479	18,063	1,466	102,008
Lab and x-ray services	1,613,613		1,613,613			1,613,613	2,721,332		2,721,332			2,721,332
Services	1,427,398	\$ 1,315	1,428,713	9,573	\$ 4,004	1,442,290	1,780,041	3,759	1,783,800	14,648	11,231	1,809,679
Indigent drug program	1,220,991		1,220,991			1,220,991	1,376,359		1,376,359			1,376,359
Total in-kind expenses	7,599,139	1,315	7,600,454	26,086	4,004	7,630,544	10,324,779	4,349	10,329,128	32,990	12,960	10,375,078
Salaries	1,013,470	48,010	1,061,480	206,449	295,591	1,563,520	1,008,458	71,194	1,079,652	231,465	306,350	1,617,467
Consultants	35,572	10,438	46,010	7,000	20,999	74,009	38,830	1,458	40,288			40,288
Employee benefits	152,815	6,508	159,323	25,919	39,192	224,434	153,005	10,748	163,753	20,237	42,366	226,356
Payroll taxes	76,855	3,630	80,485	15,659	22,425	118,569	80,335	6,069	86,404	13,082	25,368	124,854
Depreciation	138,782	106	138,888	2,914	308	142,110	113,448	112	113,560	3,126	327	117,013
Donor development					3,905	3,905					43,886	43,886
Insurance	62,847	109	62,956	4,371	514	67,841	57,962	51	58,013	7,384	268	65,665
Interest				13,969		13,969				13,177		13,177
Medications and medical supplies	93,720	4,676	98,396			98,396	127,369		127,369			127,369
Occupancy	112,729	9,159	121,888	48,379	37,116	207,383	103,493	8,674	112,167	46,573	36,967	195,707
Office expenses	67,086	5,313	72,399	44,505	33,468	150,372	69,244	5,561	74,805	47,235	36,007	158,047
Postage and printing	9,113	104	9,217	6,642	35,992	51,851	11,301	133	11,434	10,090	48,238	69,762
Professional fees	30,280	10,310	40,590	18,957	138,754	198,301	38,431	9,282	47,713	29,737	172,473	249,923
Public health awareness campaign	18,790		18,790			18,790	48,000		48,000			48,000
Repairs and maintenance	33,298	1,150	34,448	6,537	4,532	45,517	44,519	1,432	45,951	8,854	4,119	58,924
Travel and entertainment	7,248	680	7,928	5,549	7,835	21,312	18,343	3,776	22,119	18,638	18,472	59,229
Miscellaneous	19,240	8,171	27,411	3,390	959	31,760	7,039	1,259	8,298	1,572	1,578	11,448
	\$ 9,470,984	\$ 109,679	\$ 9,580,663	\$ 436,326	\$ 645,594	\$ 10,662,583	\$ 12,244,556	\$ 124,098	\$ 12,368,654	\$ 484,160	\$ 749,379	\$ 13,602,193

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Inflows:		
Receipts from:		
Contributions	\$ 3,307,530	\$ 2,661,679
Special events	255,218	246,638
Miscellaneous receipts	10,526	3,564
Interest income received	2,481	2,026
	<u>3,575,755</u>	<u>2,913,907</u>
Outflows:		
Payments to:		
Employees	1,582,739	1,589,049
Suppliers	1,332,520	1,483,877
Payments for:		
Special events	99,240	77,843
Interest	13,969	13,177
	<u>3,028,468</u>	<u>3,163,946</u>
Net cash provided by (used in) operating activities	<u>547,287</u>	<u>(250,039)</u>
Cash flows from investing activities:		
Insurance proceeds	266,658	
Proceeds from sale of assets	2,000	
	<u>268,658</u>	
Outflows, purchase of property and equipment	<u>202,444</u>	<u>104,371</u>
Net cash provided by (used in) investing activities	<u>66,214</u>	<u>(104,371)</u>

(continued)

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from financing activities:		
Inflows:		
Donor-restricted contributions for property and equipment	\$ 57,495	
Net change on line of credit		\$ 149,491
Proceeds from Paycheck Protection Program	373,900	
Outflows, net change on line of credit	<u>300,000</u>	
Net cash provided by financing activities	<u>131,395</u>	<u>149,491</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	744,896	(204,919)
Cash, cash equivalents and restricted cash:		
Beginning of year	<u>549,757</u>	<u>754,676</u>
End of year	<u>\$ 1,294,653</u>	<u>\$ 549,757</u>
Reconciliation of cash, cash equivalents, and restricted cash to the statement of financial position:		
Current assets, cash and cash equivalents	\$ 1,049,107	\$ 71,240
Other assets, cash and cash equivalents restricted for acquisition of property and equipment	120,693	355,000
Other asset, security deposit	<u>124,853</u>	<u>123,517</u>
Cash, cash equivalents and restricted cash	<u>\$ 1,294,653</u>	<u>\$ 549,757</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

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 an office in Texas with 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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

1. Summary of accounting policies (continued):

Unconditional promises to give:

Contributions are recognized at their fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Gains and losses from changes in fair value are included in the contributions line of the consolidated statements of activities. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows, as management believes that this is the most accurate method of reporting the receivables and related revenues. The effect of the change in the market interest rate and historical trends of collection and the corresponding changes in fair value of unconditional promises to give resulted in an increase in contributions revenue of \$13,028 and \$9,990 for the years ended June 30, 2020 and 2019, respectively.

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 five to seven 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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

1. Summary of accounting policies (continued):

Net assets:

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

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

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 increase 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 statements 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.

Management has determined the Organization's contributions are considered nonexchange transactions, and therefore, are recognized when a promise to give becomes unconditional.

Donated drugs and supplies:

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

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

1. Summary of accounting policies (continued):

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.

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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

1. Summary of accounting policies (continued):

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 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.

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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

2. Adoption of new accounting pronouncements:

Effective July 1, 2019, the Organization adopted the requirements of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and determining whether a contribution is conditional or unconditional. The Organization applied the standard on a modified prospective basis to agreements that were not completed as of July 1, 2019, or entered into after July 1, 2019. The Organization's impact of the adoption on the statement was the recording of unconditional promises to give from funding sources that were previously accounted for as conditional promises to give in the amount of \$157,437.

3. 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, 2020, the cash deposits exceeded the limit by \$344,424, representing the maximum loss risk.

4. Financial assets and liquidity resources:

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

	2020	2019
Cash and cash equivalents	\$ 1,169,800	\$ 426,240
Unconditional promises to give, current portion	188,861	16,821
Financial assets, as of June 30	<u>1,358,661</u>	<u>443,061</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions, restricted by donor with time or purpose restrictions	334,098	523,741
Board designations, program development funds	<u>387,593</u>	<u>46,588</u>
	<u>\$ 636,970</u>	<u>\$ (127,268)</u>

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

4. Financial assets and liquidity resources (continued):

The Organization receives significant contributions restricted by donors. They consider contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for expenditures. 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 \$500,000 was available as of June 30, 2020), which it could draw upon. Additionally, the board has designated funds that they could reclass, if desired.

5. 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, 2020, collections were expected pertaining to multi-year commitments as follows:

Less than one year	\$ 192,976
One to five years	75,480
Thereafter	<u>61,600</u>
	330,056
Discounts to net present value (see Note 12)	5,066
Allowance for uncollectible promises receivable (see Note 12)	<u>19,989</u>
	<u><u>\$ 305,001</u></u>

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

	<u>2020</u>	<u>2019</u>
Arizona	\$ 120,615	\$ 129,414
Maryland/Pennsylvania	144,028	38,344
Texas	<u>40,358</u>	<u>20,847</u>
	<u><u>\$ 305,001</u></u>	<u><u>\$ 188,605</u></u>

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

6. Inventory:

Inventory consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Purchased drugs and other medical supplies	\$ 8,350	\$ 9,123
Donated drugs and other medical supplies (see Note 10)	791,245	896,785
Indigent drugs (see Note 11)	<u>104,232</u>	<u>130,100</u>
	<u>\$ 903,827</u>	<u>\$ 1,036,008</u>

7. 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 \$500,000 in available funds as of June 30, 2020. As of June 30, 2020, interest of 3.50% 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 renews annually 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.

8. 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, 2020 and 2019 were \$387,593 and \$46,588, respectively.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

8. Net assets (continued):

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

	<u>2020</u>	<u>2019</u>
Arizona:		
Clinics	\$ 134,970	\$ 109,355
Capacity building efforts		154,100
Diabetes management program	82,709	
Equipment repairs	5,181	1,000
Hepatitis A vaccine	5,360	
Purchase of new mobile van and east valley expansion in Arizona	128,949	355,000
Mission of Mercy Arizona Health Partnership Fund, Arizona clinics	38,977	48,392
Maryland/Pennsylvania:		
Medical clinics	67,154	81,144
Dental clinics	92,307	27,500
Dental initiative	121,958	126,286
Partner and grow initiative	7,500	7,500
Telemedicine/teledentistry	10,000	
Response to substance use disorder	6,000	
Senior care	25,000	
Staff and volunteer appreciation	2,284	
COVID-19 relief	10,787	
Front line nurses	1,000	
Texas:		
Clinics	145,358	35,848
COVID-19 relief	26,845	
Vision clinic equipment	1,744	
Use of donated facility (see Note 10)	3,332,244	3,561,139
Medication	10,984	
Technology upgrade	3,256	5,640
Other, nonprofit standards for excellence accreditation	<u>500</u>	<u>500</u>
	<u>\$ 4,261,067</u>	<u>\$ 4,513,404</u>

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

9. Operating leases:

The Organization leases office and storage space in Frederick, Maryland; Gettysburg, Pennsylvania; Fairfield, Pennsylvania and Phoenix, Arizona. The Organization also utilizes office space in Corpus Christi, Texas with a donated lease (see Note 10). Office rent expense, presented in occupancy expense, totaled \$102,580 and \$89,109 for the years ended June 30, 2020 and 2019, respectively. These leases expire between November 2020 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 February 2021 to September 2024. Future monthly lease payments range from \$70 to \$245. Copier lease expense, presented in repairs and maintenance expense, totaled \$15,871 and \$17,801 for the years ended June 30, 2020 and 2019, respectively.

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

2021	\$ 69,558
2022	49,798
2023	16,644
2024	840
2025	<u>210</u>
Total	<u>\$ 137,050</u>

10. Donated facilities, services and drugs and supplies:

The consolidated financial statements include donations of lab (laboratory) services and x-rays provided to patients by hospitals and laboratories in the amount of \$1,613,613 and \$2,721,332 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the value of contributed medical services provided by healthcare professionals has been recorded in the consolidated financial statements as donated services revenue (support) and expense of \$1,423,498 and \$1,768,797, respectively. The services recognized in the consolidated financial statements represent 25,624 and 30,638 hours of time contributed for the years ended June 30, 2020 and 2019, respectively. In addition, for the years ended June 30, 2020 and 2019, accountants, attorneys and other professionals donated services valued at \$18,792 and \$40,882, respectively, to the Organization.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

10. Donated facilities, services and drugs and supplies (continued):

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 13,003 and 19,323 hours for the years ended June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the Organization recognized revenue (support) from donated drugs and supplies valued at \$3,198,605 and \$4,335,038, respectively, which included donated office equipment, valued at \$-0- and \$2,006, 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, and a loss of supplies and medication from a fire of \$61,655 and \$-0- for the years ended June 30, 2020 and 2019, respectively. Donated drugs and supplies inventory as of June 30, 2020 and 2019 was valued at \$791,245 and \$896,785, respectively (see Notes 6 and 12).

During the years ended June 30, 2020 and 2019, the Organization used short-term donated facilities valued at \$111,160 and \$102,008, 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. 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, 2020, long-term donated facilities expense and net assets released from restrictions totaled \$300,000.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

10. Donated facilities, services and drugs and supplies (continued):

Use of donated facility was as follows as of June 30, 2020:

Receivable in less than one year	\$ 300,000
Receivable in one to five years	1,500,000
Receivable in greater than five years	<u>1,998,904</u>
	3,798,904
Less, unamortized discount to net present value	<u>466,660</u>
Net use of donated facility	<u><u>\$ 3,332,244</u></u>

11. 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, 2020 and 2019, the Organization recognized revenue from medications received from these programs of \$1,203,648 and \$1,467,424, respectively. This amount was also recognized as expense except for the change in the medications in inventory at year end and a fire loss of \$8,525 and \$-0- for the years ended June 30, 2020 and 2019, respectively. Indigent drug inventory as of June 30, 2020 and 2019 was valued at \$104,232 and \$130,100, respectively (see Notes 6 and 12).

12. 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, 2020 and 2019: 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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

12. Fair value measurements (continued):

The following is a description of the valuation methodologies used for assets measured at fair value:

Donated and indigent drug inventories (see Notes 6, 10 and 11) - Valued at current unadjusted quoted wholesale or discount supplier prices (a Level 1 measurement).

Use of donated facility (see Note 10) - 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 5) - 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 0.66% and 2.02% as of June 30, 2020 and 2019, 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, 2020 and 2019, unconditional promises to give to the Organization were discounted by an additional 11.58% and 13.43%, 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, 2020 and 2019.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

12. Fair value measurements (continued):

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

	2020		
	Level 1	Level 2	Total
Donated drug inventory	\$ 791,245		\$ 791,245
Indigent drug inventory	104,232		104,232
Use of donated facility		\$ 3,332,244	3,332,244
Unconditional promises to give		305,001	305,001
Total assets at fair value	<u>\$ 895,477</u>	<u>\$ 3,637,245</u>	<u>\$ 4,532,722</u>
	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	<u>\$ 1,026,885</u>	<u>\$ 3,749,744</u>	<u>\$ 4,776,629</u>

13. Paycheck Protection Program loan:

In April 2020, the Organization received unsecured funding totaling \$373,900 from the Paycheck Protection Program, a government program authorizing loans to small businesses and charitable not-for-profit organizations to cover payroll costs, rent and utility costs over a 24-week period. The loan may become due if the Organization uses funds for anything besides these costs or does not incur enough of qualified costs. The loan terms required monthly payments of \$19,926 beginning October 2020, including principal and interest at 1% per annum, and would mature in April 2022. However, because the Organization applied for forgiveness on August 17, 2020, principal and interest payments are not due until the Small Business Administration remits the loan forgiveness amount or states that no loan forgiveness is allowed. On November 2, 2020 the Organization was informed that the loan was forgiven and will be recognized as revenue as of that date.

The balance of the loan as of June 30, 2020 was \$373,900.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

13. Paycheck Protection Program loan (continued):

Principal maturities of the Paycheck Protection Program loan are as follows:

<u>Year ending June 30,</u>	
2021	\$ 175,549
2022	<u>198,351</u>
	<u>\$ 373,900</u>

14. Concentration of contributions:

The Organization relies entirely on public and private donations as well as significant donated services and materials to operate. Approximately 20% and 30% of the Organization's support was provided by Americares Foundation, Inc. for the years ended June 30, 2020 and 2019, respectively, all of which was in the form of donated prescription medications and medical supplies.

15. Risks and uncertainties:

During the COVID-19 pandemic, our services have generally been considered essential in nature and have not been materially interrupted. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it impacts our patients, community, vendors and employees; in addition to how the COVID-19 pandemic impacts our ability to provide services to our patients. We believe the ultimate impact of the COVID-19 pandemic on the Organization's operating results, cash flows and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of its control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially and financially adversely impact the Organization's business.

16. 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, 2020 and 2019. This plan is tax exempt and has been approved by the Internal Revenue Service.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

17. Subsequent events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 3, 2020, the date the consolidated financial statements were available to be issued.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION
YEARS ENDED JUNE 30, 2020 AND 2019
(See independent auditor's report)

MARYLAND/PENNSYLVANIA

	2020						2019					
	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 expenses
In-kind expenses:												
Donated:												
Drugs and supplies	\$ 2,238,525		\$ 2,238,525			\$ 2,238,525	\$ 2,451,686	\$ 31	\$ 2,451,717	\$ 92	\$ 92	\$ 2,451,901
Facilities	33,390		33,390	\$ 16,513		49,903	36,191	170	36,361	17,023	510	53,894
Lab and x-ray services	308,493		308,493			308,493	339,878		339,878			339,878
Services	498,631	\$ 447	499,078	2,841	\$ 1,488	503,407	603,545	1,278	604,823	3,834	3,834	612,491
Indigent drug program	79,843		79,843			79,843	64,983		64,983			64,983
Total in-kind expenses	3,158,882	447	3,159,329	19,354	1,488	3,180,171	3,496,283	1,479	3,497,762	20,949	4,436	3,523,147
Salaries	389,687	15,377	405,064	73,649	146,810	625,523	394,532	17,257	411,789	80,237	126,275	618,301
Employee benefits	40,719	788	41,507	11,699	18,166	71,372	46,903	1,668	48,571	6,202	21,070	75,843
Payroll taxes	29,793	1,172	30,965	5,620	11,202	47,787	32,780	1,190	33,970	4,896	10,171	49,037
Depreciation	87,355	36	87,391	684	108	88,183	64,416	38	64,454	723	114	65,291
Donor development					419	419					560	560
Insurance	19,597	37	19,634	998	185	20,817	19,167	17	19,184	2,232	52	21,468
Interest				8,327		8,327				13,177		13,177
Medications and medical supplies	34,588		34,588			34,588	31,164		31,164			31,164
Occupancy	42,957	2,588	45,545	18,568	16,891	81,004	35,874	2,359	38,233	15,811	15,576	69,620
Office expenses	25,424	1,787	27,211	15,368	12,410	54,989	23,788	2,046	25,834	12,335	12,768	50,937
Postage and printing	2,340	35	2,375	5,423	26,885	34,683	3,004	45	3,049	6,990	26,736	36,775
Professional fees	4,119	1,072	5,191	3,386	34,610	43,187	9,212	4,356	13,568	8,510	63,892	85,970
Repairs and maintenance	10,915	800	11,715	4,633	2,643	18,991	25,072	990	26,062	5,394	2,708	34,164
Travel and entertainment	5,573	208	5,781	2,407	5,594	13,782	10,445	1,050	11,495	4,653	11,012	27,160
Miscellaneous	7,283	384	7,667	1,378	337	9,382	2,257	1,239	3,496	539	251	4,286
	\$ 3,859,232	\$ 24,731	\$ 3,883,963	\$ 171,494	\$ 277,748	\$ 4,333,205	\$ 4,194,897	\$ 33,734	\$ 4,228,631	\$ 182,648	\$ 295,621	\$ 4,706,900
Grand total for all regions	\$ 9,470,984	\$ 109,679	\$ 9,580,663	\$ 436,326	\$ 645,594	\$ 10,662,583	\$ 12,244,556	\$ 124,098	\$ 12,368,654	\$ 484,160	\$ 749,379	\$ 13,602,193

(continued)

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

(See independent auditor's report)

ARIZONA

	2020						2019					
	Program services			Supporting services			Program services			Supporting services		
	Health Services Program	Community Connections Program	Total program	Management and general	Fundraising	Total expenses	Health Services Program	Community Connections Program	Total program	Management and general	Fundraising	Total expenses
In-kind expenses:												
Donated:												
Drugs and supplies	\$ 997,191		\$ 997,191			\$ 997,191	\$ 1,896,946	\$ 59	\$ 1,897,005	\$ 89	\$ 74	\$ 1,897,168
Facilities	60,648		60,648			60,648	44,313	330	44,643	495	413	45,551
Lab and x-ray services	258,008		258,008			258,008	339,420		339,420			339,420
Services	598,911	\$ 868	599,779	\$ 5,301	\$ 1,084	606,164	794,609	2,481	797,090	6,721	3,307	807,118
Indigent drug program	22,461		22,461			22,461	38,768		38,768			38,768
Total in-kind expenses	1,937,219	868	1,938,087	5,301	1,084	1,944,472	3,114,056	2,870	3,116,926	7,305	3,794	3,128,025
Salaries	317,029	32,633	349,662	60,550	75,419	485,631	326,427	53,937	380,364	74,436	100,620	555,420
Consultants	35,572	10,438	46,010	7,000	20,999	74,009	38,830	1,458	40,288			40,288
Employee benefits	62,979	5,720	68,699	7,413	11,612	87,724	59,558	9,080	68,638	10,528	9,501	88,667
Payroll taxes	23,880	2,458	26,338	4,573	5,672	36,583	23,912	4,879	28,791	5,234	8,173	42,198
Depreciation	15,288	70	15,358	422	87	15,867	18,142	74	18,216	555	92	18,863
Donor development					1,789	1,789					33,514	33,514
Insurance	27,901	72	27,973	2,616	164	30,753	26,746	34	26,780	3,717	42	30,539
Interest				5,642		5,642						
Medications and medical supplies	47,934	4,676	52,610			52,610	90,615		90,615			90,615
Occupancy	36,579	6,571	43,150	20,277	14,515	77,942	29,374	6,315	35,689	20,451	14,827	70,967
Office expenses	16,861	3,526	20,387	16,088	8,072	44,547	19,328	3,515	22,843	18,358	10,756	51,957
Postage and printing	2,767	69	2,836	104	3,898	6,838	1,796	88	1,884	1,047	13,261	16,192
Professional fees	20,210	9,238	29,448	11,967	56,021	97,436	19,343	4,926	24,269	13,266	57,470	95,005
Public Health Awareness Campaign	18,790		18,790			18,790	48,000		48,000			48,000
Repairs and maintenance	16,617	350	16,967	974	962	18,903	12,976	442	13,418	1,055	1,010	15,483
Travel and entertainment	880	472	1,352	733	1,572	3,657	3,257	2,726	5,983	3,801	3,928	13,712
Miscellaneous	3,233	7,787	11,020	492	204	11,716	2,132	20	2,152	435	111	2,698
	\$ 2,583,739	\$ 84,948	\$ 2,668,687	\$ 144,152	\$ 202,070	\$ 3,014,909	\$ 3,834,492	\$ 90,364	\$ 3,924,856	\$ 160,188	\$ 257,099	\$ 4,342,143
Grand total for all regions	\$ 9,470,984	\$ 109,679	\$ 9,580,663	\$ 436,326	\$ 645,594	\$ 10,662,583	\$ 12,244,556	\$ 124,098	\$ 12,368,654	\$ 484,160	\$ 749,379	\$ 13,602,193

(continued)

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

(See independent auditor's report)

TEXAS

	2020					2019							
	Program services			Supporting services		Program services			Supporting services				
	Health Services Program	Community Connections Program	Total program	Management and general	Fundraising	Total expenses	Health Services Program	Community Connections Program	Total program	Management and general	Fundraising	Total expenses	
In-kind expenses:													
Donated:													
Drugs and supplies	\$ 6,774		\$ 6,774			\$ 6,774	\$ 16,436	\$ 16,436	\$ 98	\$ 97	\$ 16,631		
Facilities	609		609			609	1,475	1,475	545	543	2,563		
Lab and x-ray services	1,047,112		1,047,112			1,047,112	2,042,034	2,042,034			2,042,034		
Services	329,856		329,856	\$ 1,431	\$ 1,432	332,719	381,887	381,887	4,093	4,090	390,070		
Indigent drug program	1,118,687		1,118,687			1,118,687	1,272,608	1,272,608			1,272,608		
Total in-kind expenses	2,503,038		2,503,038	1,431	1,432	2,505,901	3,714,440	3,714,440	4,736	4,730	3,723,906		
Salaries	306,754		306,754	72,250	73,362	452,366	287,499	287,499	76,792	79,455	443,746		
Employee benefits	49,117		49,117	6,807	9,414	65,338	46,544	46,544	3,507	11,795	61,846		
Payroll taxes	23,182		23,182	5,466	5,551	34,199	23,643	23,643	2,952	7,024	33,619		
Depreciation	36,139		36,139	1,808	113	38,060	30,890	30,890	1,848	121	32,859		
Donor development					1,697	1,697				9,812	9,812		
Insurance	15,349		15,349	757	165	16,271	12,049	12,049	1,435	174	13,658		
Medications and medical supplies	11,198		11,198	-	-	11,198	5,590	5,590			5,590		
Occupancy	33,193		33,193	9,534	5,710	48,437	38,245	38,245	10,311	6,564	55,120		
Office expenses	24,801		24,801	13,049	12,986	50,836	26,128	26,128	16,542	12,483	55,153		
Postage and printing	4,006		4,006	1,115	5,209	10,330	6,501	6,501	2,053	8,241	16,795		
Professional fees	5,951		5,951	3,604	48,123	57,678	9,876	9,876	7,961	51,111	68,948		
Repairs and maintenance	5,766		5,766	930	927	7,623	6,471	6,471	2,405	401	9,277		
Travel and entertainment	795		795	2,409	669	3,873	4,641	4,641	10,184	3,532	18,357		
Miscellaneous	8,724		8,724	1,520	418	10,662	2,650	2,650	598	1,216	4,464		
	\$ 3,028,013		\$ 3,028,013	\$ 120,680	\$ 165,776	\$ 3,314,469	\$ 4,215,167	\$ 4,215,167	\$ 141,324	\$ 196,659	\$ 4,553,150		
Grand total for all regions	\$ 9,470,984	\$ 109,679	\$ 9,580,663	\$ 436,326	\$ 645,594	\$ 10,662,583	\$ 12,244,556	\$ 12,244,556	\$ 124,098	\$ 12,368,654	\$ 484,160	\$ 749,379	\$ 13,602,193

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
 JUNE 30, 2020
 (See independent auditor's report)

ASSETS

	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
Current assets:				
Cash and cash equivalents	\$ 1,023,340	\$ 25,767		\$ 1,049,107
Unconditional promises to give (less allowance for uncollectible promises of \$4,115)	174,214	14,647		188,861
Use of donated facility	300,000			300,000
Inventory	903,827			903,827
Prepaid expenses	2,795			2,795
Total current assets	2,404,176	40,414		2,444,590
Property and equipment:				
Vehicle under construction	142,593			142,593
Dental equipment	115,809			115,809
Medical equipment	299,676			299,676
Office equipment	51,073			51,073
Vehicles	723,457			723,457
	1,332,608			1,332,608
Accumulated depreciation	(667,053)			(667,053)
Total property and equipment	665,555			665,555
Other assets:				
Cash and cash equivalents restricted for acquisition of property and equipment	120,693			120,693
Security deposit	124,853			124,853
Unconditional promises to give (less allowance for uncollectible promises of \$15,874)	91,810	24,330		116,140
Use of donated facility (net of unamortized discount of \$466,660)	3,032,244			3,032,244
Total other assets	3,369,600	24,330		3,393,930
Total assets	\$ 6,439,331	\$ 64,744		\$ 6,504,075

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2020

(See independent auditor's report)

LIABILITIES AND NET ASSETS

	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
Current liabilities:				
Accounts Payable	\$ 46,369	\$ 112		\$ 46,481
Accrued payroll taxes	9,501			9,501
Accrued salaries	126,348	592		126,940
Current portion of long-term liabilities	175,549			175,549
Line of credit				
Total current liabilities	357,767	704		358,471
Long-term liabilities, Paycheck Protection Program loan	198,351			198,351
Total liabilities	556,118	704		556,822
Net assets:				
Without donor restrictions:				
Undesignated	1,273,530	25,063		1,298,593
Board designated	387,593			387,593
Total without donor restrictions	1,661,123	25,063		1,686,186
With donor restrictions	4,222,090	38,977		4,261,067
Total net assets	5,883,213	64,040		5,947,253
Total liabilities and net assets	\$ 6,439,331	\$ 64,744		\$ 6,504,075

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2019

(See independent auditor's report)

ASSETS

	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
Current assets:				
Cash and cash equivalents	\$ 64,466	\$ 6,774		\$ 71,240
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
	<hr/>	<hr/>		<hr/>
Total current assets	1,417,802	8,778		1,426,580
	<hr/>	<hr/>		<hr/>
Property and equipment:				
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
	<hr/>			<hr/>
	1,455,145			1,455,145
Accumulated depreciation	837,440			837,440
	<hr/>			<hr/>
Total property and equipment	617,705			617,705
	<hr/>			<hr/>
Other assets:				
Cash and cash equivalents restricted for acquisition of property and equipment	355,000			355,000
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
	<hr/>			<hr/>
Total other assets	3,865,052	46,388		3,911,440
	<hr/>	<hr/>		<hr/>
Total assets	\$ 5,900,559	\$ 55,166		\$ 5,955,725
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MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2019

(See independent auditor's report)

LIABILITIES AND NET ASSETS

	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
Current liabilities:				
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
Total current liabilities	485,955	1,577		487,532
Total liabilities	485,955	1,577		487,532
Net assets:				
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
Total net assets	5,414,604	53,589		5,468,193
Total liabilities and net assets	\$ 5,900,559	\$ 55,166		\$ 5,955,725

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(See independent auditor's report)

	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
Support, revenue and gains:				
Support:				
Contributions	\$ 3,445,320	\$ 133,568	\$ (97,467)	\$ 3,481,421
Donated:				
Drugs and supplies	3,198,605			3,198,605
Facilities	111,160			111,160
Lab and x-ray services	1,613,613			1,613,613
Services	1,438,290	4,000		1,442,290
Indigent drug program	1,203,648			1,203,648
Total support	11,010,636	137,568	(97,467)	11,050,737
Revenue:				
Special events	255,218			255,218
Miscellaneous Revenues	10,526			10,526
Interest income	2,481			2,481
Total revenue	268,225			268,225
Gains, gain on disposal of assets	150,816			150,816
Total support, revenue and gains	11,429,677	137,568	(97,467)	11,469,778
Expenses and losses:				
Program services	9,580,663	97,467	(97,467)	9,580,663
Management and general	414,190	22,136		436,326
Fundraising	638,080	7,514		645,594
Special Events	99,240			99,240
Total expenses and losses	10,732,173	127,117	(97,467)	10,761,823
Change in net assets before donated long-term lease	697,504	10,451	-	707,955
Donated long-term lease	71,105			71,105
Long-term donated facilities expense	(300,000)			(300,000)
Total change in net assets from donated long-term lease	(228,895)			(228,895)
Change in net assets:	468,609	10,451		479,060
Beginning of year	5,414,604	53,589		5,468,193
End of year	\$ 5,883,213	\$ 64,040	\$ -	\$ 5,947,253

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(See independent auditor's report)

	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
Support, revenue and gains:				
Support:				
Contributions	\$ 2,617,786	\$ 118,959	\$ (83,093)	\$ 2,653,652
Donated:				
Drugs and supplies	4,335,038			4,335,038
Facilities	102,008			102,008
Lab and x-ray services	2,721,332			2,721,332
Services	1,806,679	3,000		1,809,679
Indigent drug program	1,467,424			1,467,424
Total support	13,050,267	121,959	(83,093)	13,089,133
Revenue:				
Special events	246,638			246,638
Miscellaneous Revenues	3,564			3,564
Interest income	2,026			2,026
Total revenue	252,228			252,228
Gains, gain on disposal of assets				
Total support, revenue and gains	13,302,495	121,959	(83,093)	13,341,361
Expenses and losses:				
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
Total expenses and losses	13,644,137	118,992	(83,093)	13,680,036
Change in net assets before donated long-term lease	(341,642)	2,967	-	(338,675)
Donated long-term lease	75,592			75,592
Long-term donated facilities expense	(300,000)			(300,000)
Total change in net assets from donated long-term lease	(224,408)			(224,408)
Change in net assets:	(566,050)	2,967		(563,083)
Beginning of year	5,980,654	50,622		6,031,276
End of year	\$ 5,414,604	\$ 53,589	\$ -	\$ 5,468,193