

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

**YEARS ENDED
JUNE 30, 2024 AND 2023**



Brown Plus
ACCOUNTANTS + ADVISORS

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

YEARS ENDED JUNE 30, 2024 AND 2023

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Independent Auditor's Report

Board of Directors
Mission of Mercy, Inc. and Supporting Organization
Corpus Christi, Texas

Opinion

We have audited the 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, 2024 and 2023 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mission of Mercy, Inc. and Supporting Organization as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mission of Mercy, Inc. and Supporting Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission of Mercy, Inc. and Supporting Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mission of Mercy, Inc. and Supporting Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission of Mercy, Inc. and Supporting Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is 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 Plus

Frederick, Maryland
December 12, 2024

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 1,346,354	\$ 1,983,618
Beneficial interest in assets with Arizona Community Foundation	26,626	24,484
Unconditional promises to give (less allowance for uncollectible promises of \$1,144 and \$975, respectively)	194,463	331,965
Employee retention credit receivable	73,703	73,703
Use of donated facilities	286,566	335,320
Inventory	<u>1,094,943</u>	<u>979,166</u>
Total current assets	<u>3,022,655</u>	<u>3,728,256</u>
Property and equipment:		
Construction in progress		40,000
Dental equipment	175,058	167,879
Medical equipment	362,575	329,285
Office equipment	153,061	107,587
Vehicles	<u>1,149,215</u>	<u>885,699</u>
	1,839,909	1,530,450
Less accumulated depreciation	<u>1,213,789</u>	<u>1,066,491</u>
Total property and equipment	<u>626,120</u>	<u>463,959</u>
Other assets:		
Cash and cash equivalents restricted for acquisition of property and equipment	106,000	151,000
Security deposits	123,869	129,775
Beneficial interest in endowment with Catholic Community Foundation	309,943	276,239
Operating lease right-of-use asset, net of accumulated amortization	136,666	187,356
Unconditional promises to give (less allowance for uncollectible promises of \$2,115 and \$3,196, respectively)	109,325	142,927
Use of donated facilities (net of unamortized discount of \$230,416 and \$286,317, respectively)	<u>2,134,710</u>	<u>2,365,375</u>
Total other assets	<u>2,920,513</u>	<u>3,252,672</u>
Total assets	<u>\$ 6,569,288</u>	<u>\$ 7,444,887</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
Current liabilities:		
Accounts payable	\$ 33,611	\$ 9,434
Accrued:		
Payroll taxes	17,189	14,923
Salaries	160,397	148,206
Operating lease obligations	90,338	77,386
Finance lease obligations	<u>20,264</u>	<u>15,529</u>
Total current liabilities	<u>321,799</u>	<u>265,478</u>
Long-term liabilities:		
Operating lease obligations	50,774	112,336
Finance lease obligations	<u>87,789</u>	<u>28,263</u>
Total long-term liabilities	<u>138,563</u>	<u>140,599</u>
Total liabilities	<u>460,362</u>	<u>406,077</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,880,116	2,050,136
Board designated	<u>790,588</u>	<u>712,005</u>
Total without donor restrictions	2,670,704	2,762,141
With donor restrictions	<u>3,438,222</u>	<u>4,276,669</u>
Total net assets	<u>6,108,926</u>	<u>7,038,810</u>
Total liabilities and net assets	<u>\$ 6,569,288</u>	<u>\$ 7,444,887</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024		2023	
	Without donor restrictions	With donor restrictions	Total	Total
Support and revenue:				
Support:				
Contributions	\$ 2,325,625	\$ 429,331	\$ 2,754,956	\$ 2,275,502
Gifts in-kind:				
Drugs and supplies	6,354,430		6,354,430	3,666,612
Facilities, short term	147,786		147,786	165,990
Lab and x-ray services	2,309,006		2,309,006	1,929,667
Services	1,041,630		1,041,630	1,054,667
Indigent drug program				338,779
Total support	12,178,477	429,331	12,607,808	9,431,217
Revenue:				
Special events	246,699		246,699	287,841
Miscellaneous revenues	900		900	2,027
Gain on lease termination	774		774	
Employee retention credit				73,703
Interest income	51,271		51,271	32,225
Total revenue	299,644		299,644	395,796
Investment gain, net		33,704	33,704	26,555
Restrictions satisfied by payments and expiration of time	1,022,063	(1,022,063)	-	1,517,916
Total support, revenue and gains	13,500,184	(559,028)	12,941,156	11,344,929
				(835,919)
				10,509,010

(continued)

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

	2024		2023	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
		Total		Total
Expenses and losses:				
Expenses:				
Program services	\$ 12,073,474	\$ 12,073,474	\$ 9,198,387	\$ 9,198,387
Management and general	544,951	544,951	537,125	537,125
Fundraising	864,377	864,377	972,290	972,290
Special events	99,233	99,233	90,913	90,913
Total expenses	13,582,035	13,582,035	10,798,715	10,798,715
Losses:				
Investment loss, net	5,400	5,400	6,733	6,733
Loss on disposal of assets	4,186	4,186		
Total losses	9,586	9,586	6,733	6,733
Total expenses and losses	13,591,621	13,591,621	10,805,448	10,805,448
Change in net assets before donated long-term lease	(91,437)	\$ (559,028)	539,481	\$ (835,919)

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Donated long-term lease	\$ 55,901	\$ -	\$ 55,901	\$ -	\$ 157,436	\$ 157,436
Lease restrictions satisfied by expiration of time	279,419	\$ (279,419)	-	\$ 317,370	(317,370)	-
Long-term donated facilities expense	(335,320)		(335,320)	(317,370)		(317,370)
Total changes in net assets from donated long-term lease	-	(279,419)	(279,419)	-	(159,934)	(159,934)
Change in net assets	(91,437)	(838,447)	(929,884)	539,481	(995,853)	(456,372)
Net assets:						
Beginning of year	2,762,141	4,276,669	7,038,810	2,222,660	5,272,522	7,495,182
End of year	\$ 2,670,704	\$ 3,438,222	\$ 6,108,926	\$ 2,762,141	\$ 4,276,669	\$ 7,038,810

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2024 AND 2023

	2024				2023								
	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	\$ 6,238,768		\$ 6,238,768			\$ 6,238,768		\$ 3,417,035			\$ 3,417,035		
Facilities	122,086	\$ 111	122,197	\$ 25,125	\$ 484	147,786		152,338	\$ 13,003	\$ 649	165,990		
Lab and x-ray services	2,309,006		2,309,006			2,309,006		1,929,667			1,929,667		
Services	1,036,176	567	1,036,743	2,510	2,377	1,041,630		1,047,281	4,479	2,347	1,054,667		
Indigent drug program						377,745		377,745			377,745		
Total in-kind expenses	9,706,036	678	9,706,714	27,635	2,841	9,737,190		6,923,911	715	2,996	6,945,104		
Salaries	1,156,492	29,295	1,185,787	235,793	423,288	1,844,868		1,114,570	30,819	418,511	1,795,160		
Consultants	41,865	10,500	52,365	5,445		57,810		34,159	13,000	2,040	59,333		
Employee benefits	169,020	1,888	170,908	39,736	48,568	259,212		140,494	4,328	28,011	68,423		
Payroll taxes	90,360	2,282	92,642	18,955	33,262	144,859		86,378	2,311	17,988	32,290		
Bad debt								14,495		8,005	14,495		
Depreciation	170,840	32	170,872	9,656	5,409	185,937		126,672	22	4,571	139,270		
Donor development	137,074	346	137,420	13,206	31,182	31,182		156,938	379	17,531	61,290		
Insurance	1,016	34	1,050	846	762	2,658		630	13	517	1,625		
Interest	98,825		98,825			98,825		121,483		121,483	121,483		
Medications and medical supplies	117,244	6,216	123,460	54,912	39,220	217,592		120,856	6,143	51,939	40,416		
Occupancy	102,174	5,807	107,981	66,606	44,689	219,276		82,276	4,560	61,335	35,704		
Office expenses	3,558	63	3,621	9,564	63,756	76,941		4,945	114	9,084	85,574		
Postage and printing	94,422	5,205	99,627	41,165	153,139	293,931		98,874	11,695	42,665	300,332		
Professional fees	11,413		11,413			11,413		1,785		1,785	1,785		
Public health awareness campaign	64,963	361	65,324	6,502	2,955	74,781		52,008	442	10,930	66,789		
Repairs and maintenance	9,274	619	9,893	12,329	8,219	30,441		22,290	804	13,211	50,376		
Travel and entertainment	15,654	19,918	35,572	2,601	775	38,948		13,116	46,167	10,632	73,730		
Miscellaneous													
	\$ 11,990,230	\$ 83,244	\$ 12,073,474	\$ 544,951	\$ 864,377	\$ 13,482,802		\$ 9,076,875	\$ 121,512	\$ 537,125	\$ 972,290	\$ 10,707,802	

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Inflows:		
Receipts from:		
Contributions	\$ 2,720,060	\$ 3,036,793
Special events	246,699	287,841
Miscellaneous receipts	900	2,027
Interest income received	43,729	24,672
	<u>3,011,388</u>	<u>3,351,333</u>
Outflows:		
Payments to:		
Employees	1,832,677	1,800,527
Suppliers	1,681,375	1,801,319
Payments for:		
Special events	99,233	90,913
Interest	2,658	1,625
	<u>3,615,943</u>	<u>3,694,384</u>
Net cash used in operating activities	<u>(604,555)</u>	<u>(343,051)</u>
Cash flows used in investing activities, outflows, purchase of property and equipment	<u>(277,015)</u>	<u>(84,623)</u>
Cash flows provided by financing activities:		
Inflows, donor-restricted contributions for property and equipment	206,000	41,000
Outflows, payment of finance lease	12,600	15,093
Net cash provided by financing activities	<u>193,400</u>	<u>25,907</u>
Net decrease in cash, cash equivalents and restricted cash	(688,170)	(401,767)
Cash, cash equivalents and restricted cash:		
Beginning of year	<u>2,264,393</u>	<u>2,666,160</u>
End of year	<u>\$ 1,576,223</u>	<u>\$ 2,264,393</u>

(continued)

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of cash, cash equivalents and restricted cash to the statement of financial position:		
Current assets, cash and cash equivalents	\$ 1,346,354	\$ 1,983,618
Other assets:		
Cash and cash equivalents restricted for acquisition of property and equipment	106,000	151,000
Security deposits	<u>123,869</u>	<u>129,775</u>
Cash, cash equivalents and restricted cash	<u><u>\$ 1,576,223</u></u>	<u><u>\$ 2,264,393</u></u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

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 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, including cash equivalents held by community foundations and a security deposit held in a maintenance reserve account by the landlord of the Texas lease (see Note 10).

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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

1. Summary of accounting policies (continued):

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 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.

Leases:

The Organization combines and accounts for lease and nonlease components as a single lease component for leases of real estate and equipment. The discount rates related to the Organization's lease liabilities are generally based on a risk-free rate, as the discount rates implicit in the Organization's leases and the Organization's incremental borrowing rate cannot be readily determined. The Organization has elected the short-term lease exception to not recognize leases with a lease term of 12 months or less on the statement of financial position.

Net assets:

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

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

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

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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

1. Summary of accounting policies (continued):

Contributions:

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.

Special events:

The Organization hosts several fundraising events throughout the year. Revenue generated from these events consist of exchange and nonexchange transactions. Exchange transactions generally consist of tickets and registrations for fundraising events and are recognized as revenue the date the event takes place. Nonexchange transactions typically consist of sponsorships and donations received and are recognized when the Organization's right to the funds is unconditional.

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.

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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

1. Summary of accounting policies (continued):

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. During 2024, Texas A & M Health took over the Organization's indigent drug program. Due to this, inventory, revenue and expenses related to the program have not been recorded in the financial statements for the year ended June 30, 2024.

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 Mercy, Inc. and Mission of Mercy Arizona Health Partnership Fund have elected under provisions of Internal Revenue Code (IRC) Section 501(c)(3) and state income tax statutes to be excluded from taxes on exempt function income. Therefore, no provision is made for taxes on income.

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

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

1. Summary of accounting policies (continued):

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.

2. Cash, cash equivalents and investments:

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, 2024, the uninsured cash deposits were \$369,535, representing the maximum loss risk.

Cash equivalents and investments with community foundations totaling \$753,844 are not covered by deposit insurance.

3. 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:

	<u>2024</u>	<u>2023</u>
Financial assets due within one year:		
Cash and cash equivalents	\$ 1,346,354	\$ 1,983,618
Beneficial interest in assets with Arizona Community Foundation	26,626	24,484
Unconditional promises to give, current portion	194,463	331,965
Employee retention credit receivable	<u>73,703</u>	<u>73,703</u>
Financial assets due within one year, as of June 30	1,641,146	2,413,770
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions, restricted by donor with time or purpose restrictions	218,790	250,581
Board designations, program development funds	<u>790,588</u>	<u>712,005</u>
	<u>\$ 631,768</u>	<u>\$ 1,451,184</u>

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

3. 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. Most of the Organization's unconditional promises to give are donor-restricted due to the timing of receipt but are otherwise unrestricted. As these promises are received during the year ended June 30, 2024, they are available for general expenditure. 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 (all of which was available as of June 30, 2024), which it could draw upon. Additionally, the board has designated funds they could reclassify, if desired.

4. Endowment fund:

The Organization's Board of Directors oversees an endowment fund with the Catholic Community Foundation (the CCF). The original contribution was \$5,000. During the year ended June 30, 2022, the Organization transferred \$225,000 of their own funds and the CCF donated \$56,250 to the endowment. The purpose of this fund is to provide operational support to the Organization, specifically for the Arizona region.

The State of Arizona enacted the Management of Charitable Funds Act (MCFA) effective September 25, 2008, the provisions of which apply to the endowment funds existing on or established after that date. In review of the classifications and presentation of funds restricted in perpetuity, the Organization has determined that no reclassification of funds is necessary to meet the definition of endowment funds under the MCFA.

Interpretation of relevant law:

The Board of Directors of the Organization has interpreted the MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

All funds classified as net assets with donor restrictions remain in that classification until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of ordinary business care and prudence prescribed by the MCFA. In accordance with the MCFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic climate, including the possible effects of inflation and deflation, (4) the expected total return from income and the appreciation of investments and (5) other resources of the Organization.

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MCFA requires the Organization to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations occurring during the investment periods.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

4. Endowment fund (continued):

Return objectives, risk parameters, strategies for achieving objectives and spending policy:

The Organization has adopted investment and spending policies for endowment assets that attempt to maximize return with reasonable and prudent levels of risk, while seeking to maintain the purchasing power of the current assets and any future contributions. The objective is to support operations while still having the potential to achieve a competitive rate of return on the endowment funds. To satisfy its long-term objective, the Organization targets a diversified asset allocation. The Organization's endowment fund is held by the CCF. The investment strategy for all of the Organization's investments is under the oversight of the Finance and Investment committee of the CCF.

CCF has the right to accept subsequent contributions to the fund from the Organization and other individuals, corporations, associations, trusts, partnerships and other entities. Should the Organization cease to exist, the fund shall be added to CCF's general fund to be used in the best interest of the Roman Catholic Diocese of Phoenix, or its successor. Composition of and changes in endowment donor restricted net assets were as follows for the years ended December 31:

	2024	2023
Beneficial interest in endowment with Catholic Community Foundation, beginning of year	\$ 276,239	\$ 249,684
Investment income (net), interest income, gains (losses), and fees	33,704	26,555
Beneficial interest in endowment with Catholic Community Foundation, end of year	\$ 309,943	\$ 276,239

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, 2024, collections were expected pertaining to multi-year commitments as follows:

Less than one year	\$ 195,607	
One to five years	82,273	
Thereafter	51,560	
		329,440
Less:		
Discounts to net present value (see Note 12)		22,393
Allowance for uncollectible promises receivable (see Note 12)		3,259
		\$ 303,788

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

5. Unconditional promises to give (continued):

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

	<u>2024</u>	<u>2023</u>
Arizona	\$ 137,340	\$ 144,127
Maryland/Pennsylvania	76,119	244,973
Texas	<u>90,329</u>	<u>85,792</u>
	<u>\$ 303,788</u>	<u>\$ 474,892</u>

6. Inventory:

Inventory consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Purchased drugs and other medical supplies	\$ 6,686	\$ 6,571
Donated drugs and other medical supplies (see Note 10)	1,088,257	967,165
Indigent drugs (see Note 11)	<u> </u>	<u>5,430</u>
	<u>\$ 1,094,943</u>	<u>\$ 979,166</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, 2024. As of June 30, 2024, interest of 8.5% is due and payable monthly; the rate charged is equal to *The Wall Street Journal* prime rate. The revolving line of credit is due on demand.

The line of credit is subject to a financial covenant. The Organization was not in compliance with the covenant at June 30, 2024.

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, 2024 and 2023 were \$790,588 and \$712,005, respectively.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

8. Net assets (continued):

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

	<u>2024</u>	<u>2023</u>
Purpose restricted:		
Arizona:		
Dental education	\$ 2,000	
Diabetes management program	133,107	\$ 108,465
Medical clinics		8,000
Prescription medications		16,500
Purchase of new mobile van and east valley expansion in Arizona	100,000	100,000
Target blood pressure project	5,375	5,375
Vaccines	23,078	34,241
Vision equipment and supplies		15,500
Maryland/Pennsylvania:		
Dental clinics		20,250
Diabetes, hypertension and heart disease programs		3,000
Medical Clinics		127,800
Medications	1,096	
Partner and grow initiative		7,500
Purchase of new medical unit		45,000
Senior care		12,500
Staff and volunteer appreciation	800	
Women's care		25,000
Texas:		
Dental clinics	12,500	
Full-time nurse	60,000	60,000
Equipment	6,000	6,000
Medical clinics	45,760	12,212
Time restricted:		
Arizona:		
Medical clinics	52,413	279,502
Mission of Mercy Arizona Health Partnership Fund, Arizona clinics	84,927	82,125
Endowment to be held in perpetuity (see Note 4)	309,943	276,239
Maryland/Pennsylvania:		
Medical clinics	83,618	74,972
Sustainability and succession		170,000
Use of donated facility (see Note 10)	51,315	82,970
Texas:		
Medical clinics	96,329	85,793
Use of donated facility (see Note 10)	2,369,961	2,617,725
	<u>\$ 3,438,222</u>	<u>\$ 4,276,669</u>

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

9. Leases:

The Organization leases office and storage space in Frederick, Maryland; Fairfield, Pennsylvania; Gettysburg, Pennsylvania and Phoenix, Arizona. The Organization also utilizes office space in Corpus Christi, Texas, with a donated lease, and the Organization's lease in Frederick, Maryland, is below market rates (see Note 10). Office rent expense, presented in occupancy expense, totaled \$94,000 and \$99,897 for the years ended June 30, 2024 and 2023, respectively. These leases expire between October 2025 and August 2026. Future monthly lease payments range between \$850 and \$4,171.

The Organization also leases a number of copiers on a master lease that expires June 2029. Future monthly lease payments are \$2,174. For the years ended June 30, 2024 and 2023, depreciation of the copiers totaled \$18,509 and \$15,703, respectively, and interest on the finance lease liability was \$2,174 and \$1,443, respectively.

The Organization's leases do not contain any material residual value guarantees or material restrictive covenants. The Organization recognizes lease expense on its operating leases on a straight-line basis over the term of the leases, taking into account escalations in rent payments over the term of the leases. The primary assumption used to determine the discount rate was the applicable federal rate at the later of implementation of ASC 842 or when the lease agreement was signed.

The following table shows right-of-use assets and lease liabilities and the associated financial statement line items as of June 30:

Lease-related assets and liabilities right-of-use assets	Financial statement line items	2024	2023
Operating leases:	Other assets, operating lease right-of-use asset, net of accumulated amortization	\$ 136,666	\$ 187,356
Finance leases:	Office equipment, net of accumulated depreciation	99,937	43,182
Operating lease obligations	Current liabilities, operating lease obligations	90,338	77,386
	Long-term liabilities, operating lease obligations	50,774	112,336
Finance lease obligations	Current liabilities, finance lease obligations	20,264	15,529
	Long-term liabilities, finance lease obligations	87,789	28,263

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

9. Leases (continued):

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

	<u>Operating leases</u>	<u>Finance leases</u>	<u>Total</u>
2025	\$ 94,296	\$ 24,204	\$ 118,500
2026	49,115	24,204	73,319
2027	2,500	24,204	26,704
2028		24,204	24,204
2029		22,187	22,187
	<hr/>	<hr/>	<hr/>
Total future undiscounted lease payments	145,911	119,003	264,914
Less imputed interest	4,799	10,950	15,749
	<hr/>	<hr/>	<hr/>
Present value of net undiscounted lease payments	141,112	108,053	249,165
Less current portion	90,338	20,264	110,602
	<hr/>	<hr/>	<hr/>
Long-term portion of leases	<u>\$ 50,774</u>	<u>\$ 87,789</u>	<u>\$ 138,563</u>
Weighted-Average Lease Term	1.57 years	4.94 years	
Weighted-Average Discount Rate	4.42%	4.07%	

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 \$2,309,006 and \$1,929,667 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, 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 \$1,033,530 and \$1,044,667, respectively. The services recognized in the consolidated financial statements represent 16,002 and 16,761 hours of time contributed for the years ended June 30, 2024 and 2023, respectively. In addition, for the years ended June 30, 2024 and 2023, accountants, attorneys and other professionals donated services valued at \$8,100 and \$10,000, respectively, to the Organization.

Additional services for administrative, fundraising and other purposes were not recorded in the consolidated financial statements because they did not meet the criteria for recognition under accounting rules. These services represent an estimated 11,262 and 9,775 hours for the years ended June 30, 2024 and 2023, respectively.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

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

For the years ended June 30, 2024 and 2023, the Organization recognized revenue (support) from donated drugs and supplies, used by patients in the normal course of operations, valued at \$6,354,430 and \$3,666,612, respectively. The donated drugs and supplies amount was also recognized as an expense, except for the change in the donated drugs and supplies inventory at year end for the years ended June 30, 2024 and 2023, respectively. Donated drugs and supplies inventory as of June 30, 2024 and 2023 was valued at \$1,088,257 and \$967,165, respectively (see Notes 6 and 12).

During the years ended June 30, 2024 and 2023, the Organization used short-term donated facilities valued at \$147,786 and \$165,990, 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 years ended June 30, 2024 and 2023, long-term donated facilities expense and net assets released from restrictions related to this lease totaled \$300,000.

The Organization also entered into a three-year lease beginning January 2023 for office space in Frederick, Maryland, for approximately half of the fair market rental rate. Lease payments ranging from \$2,849 to \$3,022 per month have been included in the operating lease right of use asset and liability described in Note 9. The fair value of the in-kind contribution of \$95,312 has been included in use of donated facilities and restricted contribution revenue for the year ended June 30, 2023. For the year ended June 30, 2024 and 2023, long-term donated facilities expense and net assets released from restrictions related to this lease totaled \$35,320 and \$17,370, respectively.

Use of donated facility will be received as follows as of June 30, 2024:

Less than one year	\$ 335,320
One to five years	1,517,467
Thereafter	<u>798,905</u>
	2,651,692
Less, unamortized discount to net present value	<u>230,416</u>
Net use of donated facility	<u><u>\$ 2,421,276</u></u>

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

11. Indigent drug program:

Through the fiscal year ended 2023, the Organization was a participant in indigent drug programs sponsored by various drug manufacturers. These programs provide medications to low-income patients suffering from chronic illness. The Organization helped the patient complete and submit the application to the drug manufacturers. The medications were sent to the Organization, which distributed them to the patient. Since the Organization had set up the medical program to provide ongoing treatment and assessment of the patient, the doctors of the Organization had discretion on what medications are prescribed. Through 2023, the Organization had met this discretion requirement and recorded the medications as revenue (support) and a corresponding expense in the consolidated financial statements.

During the fiscal year ended 2024, Texas A & M Health took over the indigent drug programs. Texas A & M Health now provides the medications, helps the patients submit applications, and distribute them to the patient. Since Texas A & M Health now has discretion on what medications are prescribed, the Organization no longer meets the discretion requirement and has accordingly excluded the revenue (support) and corresponding expense for this program from the consolidated financial statements.

For the year ended June 30, 2023, the Organization recognized revenue from medications received from these programs of \$338,779. This amount was also recognized as expense except for the change in the medications in inventory at year end for the year ended June 30, 2023, respectively. Indigent drug inventory as of June 30, 2023 was valued at \$5,430, 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, 2024 and 2023: 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 6, 10 and 11) - Valued at current unadjusted quoted wholesale or discount supplier prices (a Level 2 measurement).

Use of donated facilities (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 Texas 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%. The Organization discounted the value of the three-year Maryland lease and recorded a restricted contribution for the year ended June 30, 2023 of \$95,312. The Organization discounted the value of the lease by the discount interest rate for the United States on January 1, 2023, the start date of the lease, which was 4.50%.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

12. Fair value measurements (continued):

Beneficial interests and savings with community foundations (see Note 4) – Valued by the foundations holding the assets based on the values of the underlying assets in the foundations' investment pools (a level 2 measurement). The Organization believes this method appropriately values the beneficial interests and savings held with the foundations.

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 4.36% and 3.81% as of June 30, 2024 and 2023, 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, 2024 and 2023, unconditional promises to give to the Organization were discounted by an additional 1.58% and 1.87%, 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 following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

	2024		2023	
	Level 2	Total	Level 2	Total
Donated drug inventory	\$ 1,088,257	\$ 1,088,257	\$ 967,165	\$ 967,165
Indigent drug inventory			5,430	5,430
Beneficial interest in endowment with Catholic Community Foundation	309,943	309,943	276,239	276,239
Beneficial interest in assets with Arizona Community Foundation	26,626	26,626	24,484	24,484
Savings with Catholic Community Foundation	417,275	417,275	389,486	389,486
Use of donated facility	2,421,276	2,421,276	2,700,695	2,700,695
Unconditional promises to give	303,788	303,788	474,892	474,892
Total assets at fair value	<u>\$ 4,567,165</u>	<u>\$ 4,567,165</u>	<u>\$ 4,838,391</u>	<u>\$ 4,838,391</u>

13. Concentration of contributions:

The Organization relies entirely on public and private donations as well as significant donated services and materials to operate. Approximately 49% and 34% for the years ended June 30, 2024 and 2023, respectively, of the Organization's support was in the form of donated prescription medications and medical supplies, substantially all of which come from three donors.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

14. 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, 2024 and 2023. This plan is tax exempt and has been approved by the Internal Revenue Service.

15. Employee Retention Credit:

The Employee Retention Credit is a refundable tax credit against certain employment taxes. During fiscal year 2023, the Organization reviewed various regulations and legislative changes related to the program and determined the Organization qualified for \$73,703 of assistance, which related to wages paid from the period of March through May 2020. In February 2023, the Organization filed an amended payroll tax return to claim these credits. The amended return remains open to examination for up to five years after it was filed, which is February 2028.

16. Subsequent events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 12, 2024, 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, 2024 AND 2023
(See independent auditor's report)**

MARYLAND/PENNSYLVANIA

	2024						2023					
	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	\$ 950,237	\$ 6	\$ 950,237	\$ 24,796	\$ 162	\$ 950,237	\$ 1,756,139	\$ 9	\$ 1,756,139	\$ 12,543	\$ 226	\$ 1,756,139
Facilities	43,122		43,128			68,086	70,595		70,604			83,373
Lab and x-ray services	171,160		171,160			171,160	198,335		198,335			198,335
Services	428,530	32	428,562	826	826	430,214	433,676	32	433,708	816	816	435,340
Total in-kind expenses	1,593,049	38	1,593,087	25,622	988	1,619,697	2,458,745	41	2,458,786	13,359	1,042	2,473,187
Salaries	574,707	7,653	582,360	87,341	180,005	849,706	574,517	7,113	581,630	92,721	164,379	838,730
Consultants				5,445		5,445	648		648	2,040		2,688
Employee benefits	57,272	259	57,531	18,049	12,494	88,074	46,804	264	46,868	6,038	13,369	66,275
Payroll taxes	43,841	582	44,423	6,892	13,703	64,818	44,427	545	44,972	7,064	12,572	64,608
Depreciation	103,264	2	103,266	4,003	1,620	108,889	61,974	1	61,975	3,035	1,368	66,378
Donor development				1,418		1,418						
Insurance	40,016	20	40,036	2,022	504	42,562	33,551	22	33,573	2,444	552	36,569
Interest	466	2	468	419	234	1,121	292	1	293	263	141	697
Medications and medical supplies	30,708		30,708			30,708	30,062		30,062			30,062
Occupancy	55,184	2,431	57,615	22,741	18,578	98,934	52,693	2,308	55,001	21,853	18,697	95,551
Office expenses	52,499	725	53,224	23,262	12,917	89,403	30,129	531	30,660	18,276	12,614	61,550
Postage and printing	1,483	4	1,487	3,916	44,723	50,126	1,473	7	1,480	1,582	56,285	59,347
Professional fees	13,690	336	14,026	15,827	23,165	53,018	13,120	320	13,440	12,658	26,579	52,677
Repairs and maintenance	26,982	6	26,988	1,363		28,351	25,402	11	25,413	3,017	592	29,022
Travel and entertainment	7,195	35	7,230	3,644	4,751	15,625	14,319	44	14,363	3,116	10,769	28,248
Miscellaneous	10,754	5	10,759	1,172	498	12,429	4,478	81	4,559	3,459	2,083	10,101
	\$ 2,611,110	\$ 12,098	\$ 2,623,208	\$ 221,518	\$ 315,598	\$ 3,160,324	\$ 3,392,434	\$ 11,289	\$ 3,403,723	\$ 190,925	\$ 321,042	\$ 3,915,690
Grand total for all regions	\$ 11,990,230	\$ 83,244	\$ 12,073,474	\$ 544,951	\$ 864,377	\$ 13,482,802	\$ 9,076,875	\$ 121,512	\$ 9,198,387	\$ 537,125	\$ 972,290	\$ 10,707,802

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023
 (See independent auditor's report)

	ARIZONA											
	2024						2023					
	Program services Community			Supporting services			Program services Community			Supporting services		
	Health Services Program	Connections Program	Total program	Management and general	Fundraising	Total functional expenses	Health Services Program	Connections Program	Total program	Management and general	Fundraising	Total functional expenses
In-kind expenses:												
Donated:												
Drugs and supplies	\$ 5,165,951	\$ 105	\$ 5,165,951	\$ 157	\$ 131	\$ 5,165,951	\$ 1,556,373	\$ 146	\$ 1,556,373	\$ 219	\$ 183	\$ 1,556,373
Facilities	78,786		78,891			79,179	81,340		81,486			81,888
Lab and x-ray services	229,726		229,726			229,726	235,837		235,837			235,837
Services	446,331	535	446,866	802	668	446,336	421,394	528	421,922	2,792	660	425,374
Total in-kind expenses	5,920,794	640	5,921,434	959	799	5,923,192	2,294,944	674	2,295,618	3,011	843	2,299,472
Salaries	364,371	21,642	386,013	68,963	147,496	602,472	336,694	23,706	360,400	57,642	156,922	574,964
Consultants	36,170	10,500	46,670			46,670	33,511	13,000	46,511		59,333	105,844
Employee benefits	77,633	1,629	79,262	3,908	14,437	97,607	70,819	4,064	74,883	8,272	37,938	121,093
Payroll taxes	27,358	1,700	29,058	5,280	11,135	45,473	25,194	1,766	26,960	4,300	11,722	42,982
Bad debt										14,495		14,495
Depreciation	31,676	30	31,706	1,752	38	33,496	27,665	21	27,686	176	27	27,889
Donor development	45,137	326	45,463	2,509	29,764	29,764	36,705	357	37,062	3,554	446	61,290
Insurance					407	48,379						41,062
Interest	40	32	72	48	40	160	15	12	27	18	15	60
Medications and medical supplies	58,123		58,123			58,123	68,707		68,707			68,707
Occupancy	31,801	3,785	35,586	23,544	15,609	74,739	34,283	3,835	38,118	20,331	15,875	74,324
Office expenses	14,801	5,082	19,883	21,459	20,892	62,234	17,800	4,029	21,829	23,826	12,776	58,431
Postage and printing	1,447	59	1,506	913	7,492	9,911	1,557	107	1,664	1,041	7,764	10,469
Professional fees	61,370	4,869	66,239	17,206	71,077	154,522	66,114	11,375	77,489	19,913	64,413	161,815
Public health awareness campaign	11,413		11,413			11,413	1,785		1,785			1,785
Repairs and maintenance	14,453	355	14,808	1,195	1,172	17,175	10,794	431	11,225	1,353	1,206	13,784
Travel and entertainment	730	584	1,314	1,788	2,148	5,250	2,356	760	3,116	2,032	2,097	7,245
Miscellaneous	963	19,913	20,876	184	118	21,178	4,517	46,086	50,603	3,472	1,692	55,767
Total	\$ 6,698,280	\$ 71,146	\$ 6,769,426	\$ 149,708	\$ 322,624	\$ 7,241,758	\$ 3,033,460	\$ 110,223	\$ 3,143,683	\$ 163,436	\$ 434,359	\$ 3,741,478
Grand total for all regions	\$ 11,990,230	\$ 83,244	\$ 12,073,474	\$ 544,951	\$ 864,377	\$ 13,482,802	\$ 9,076,875	\$ 121,512	\$ 9,198,387	\$ 537,125	\$ 972,290	\$ 10,707,802

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023
 (See independent auditor's report)

	TEXAS											
	2024					2023						
	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	\$ 122,580		\$ 122,580	\$ 172	\$ 171	\$ 122,580	\$ 104,523		\$ 104,523	\$ 241	\$ 240	\$ 104,523
Facilities	178		178			521	248		248			729
Lab and x-ray services	1,908,120		1,908,120			1,908,120	1,495,495		1,495,495			1,495,495
Services	161,315		161,315	882	883	163,080	192,211		192,211	871	871	193,953
Indigent drug program						377,745			377,745			377,745
Total in-kind expenses	2,192,193		2,192,193	1,054	1,054	2,194,301	2,170,222		2,170,222	1,112	1,111	2,172,445
Salaries	217,414		217,414	79,489	95,787	392,690	203,359		203,359	80,897	97,210	381,466
Consultants	5,695		5,695			5,695						
Employee benefits	34,115		34,115	17,779	21,637	73,531	23,071		23,071	13,701	17,116	53,888
Payroll taxes	19,161		19,161	6,983	8,424	34,568	16,757		16,757	6,624	7,996	31,377
Depreciation	35,900		35,900	3,901	3,751	43,552	37,033		37,033	4,794	3,176	45,003
Insurance	51,921		51,921	8,675	5,401	65,997	62,172		62,172	11,533	7,469	81,174
Interest	510		510	379	488	1,377	323		323	236	309	868
Medications and medical supplies	9,994		9,994			9,994	22,714		22,714			22,714
Occupancy	30,259		30,259	8,627	5,033	43,919	33,880		33,880	9,755	5,844	49,479
Office expenses	34,874		34,874	21,885	10,880	67,639	34,347		34,347	19,233	10,314	63,894
Postage and printing	628		628	4,735	11,541	16,904	1,915		1,915	6,461	7,382	15,758
Professional fees	19,362		19,362	8,132	58,897	86,391	19,640		19,640	10,094	56,106	85,840
Repairs and maintenance	23,528		23,528	3,944	1,783	29,255	15,812		15,812	6,560	1,611	23,983
Travel and entertainment	1,349		1,349	6,897	1,320	9,566	5,615		5,615	8,063	1,205	14,883
Miscellaneous	3,937		3,937	1,245	159	5,341	4,121		4,121	3,701	40	7,862
	\$ 2,680,840		\$ 2,680,840	\$ 173,725	\$ 226,155	\$ 3,080,720	\$ 2,650,981		\$ 2,650,981	\$ 182,764	\$ 216,889	\$ 3,050,634
Grand total for all regions	\$ 11,990,230		\$ 12,073,474	\$ 544,951	\$ 864,377	\$ 13,482,802	\$ 9,076,875		\$ 9,198,387	\$ 537,125	\$ 972,290	\$ 10,707,802

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2024

(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	\$ 1,317,910	\$ 28,444		\$ 1,346,354
Beneficial interest in assets with Arizona Community Foundation	26,626			26,626
Unconditional promises to give (less allowance for uncollectible promises of \$311 and \$833, respectively)	142,588	51,875		194,463
Employee retention credit receivable	73,703			73,703
Use of donated facilities	286,566			286,566
Inventory	1,094,943			1,094,943
Total current assets	2,942,336	80,319		3,022,655
Property and equipment:				
Dental equipment	175,058			175,058
Medical equipment	362,575			362,575
Office equipment	153,061			153,061
Vehicles	1,149,215			1,149,215
	1,839,909			1,839,909
Less accumulated depreciation	1,213,789			1,213,789
Total property and equipment	626,120			626,120
Other assets:				
Cash and cash equivalents restricted for acquisition of property and equipment	106,000			106,000
Security deposits	123,869			123,869
Beneficial interest in endowment with Catholic Community Foundation	309,943			309,943
Operating lease right-of-use asset, net of accumulated amortization	136,666			136,666
Unconditional promises to give (less allowance for uncollectible promises of \$1,541 and \$574, respectively)	76,273	33,052		109,325
Use of donated facilities (net of unamortized discount of \$230,416)	2,134,710			2,134,710
Total other assets	2,887,461	33,052		2,920,513
Total assets	\$ 6,455,917	\$ 113,371	\$ -	\$ 6,569,288

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2024

(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	\$ 33,611			\$ 33,611
Accrued:				
Payroll taxes	17,189			17,189
Salaries	157,365	\$ 3,032		160,397
Operating lease obligations	90,338			90,338
Finance lease obligations	20,264			20,264
Total current liabilities	318,767	3,032		321,799
Long-term liabilities:				
Operating lease obligations	50,774			50,774
Finance lease obligations	87,789			87,789
Total long-term liabilities	138,563			138,563
Total liabilities	457,330	3,032		460,362
Net assets:				
Without donor restrictions:				
Undesignated	1,854,704	25,412		1,880,116
Board designated	790,588			790,588
Total without donor restrictions	2,645,292	25,412		2,670,704
With donor restrictions	3,353,295	84,927		3,438,222
Total net assets	5,998,587	110,339		6,108,926
Total liabilities and net assets	\$ 6,455,917	\$ 113,371	\$ -	\$ 6,569,288

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2023

(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	\$ 1,955,526	\$ 28,092		\$ 1,983,618
Beneficial interest in assets with Arizona Community Foundation	24,484			24,484
Unconditional promises to give (less allowance for uncollectible promises of \$481 and \$493, respectively)	306,079	25,886		331,965
Employee retention credit receivable	73,703			73,703
Use of donated facility	335,320			335,320
Inventory	979,166			979,166
Total current assets	<u>3,674,278</u>	<u>53,978</u>		<u>3,728,256</u>
Property and equipment:				
Construction in process	40,000			40,000
Dental equipment	167,879			167,879
Medical equipment	329,285			329,285
Office equipment	107,587			107,587
Vehicles	885,699			885,699
	1,530,450			1,530,450
Less accumulated depreciation	<u>1,066,491</u>			<u>1,066,491</u>
Total property and equipment	<u>463,959</u>			<u>463,959</u>
Other assets:				
Cash and cash equivalents restricted for acquisition of property and equipment	151,000			151,000
Security deposits	129,775			129,775
Beneficial interest in endowment with Catholic Community Foundation	276,239			276,239
Operating lease right-of-use asset, net of accumulated amortization	187,356			187,356
Unconditional promises to give (less allowance for uncollectible promises of \$2,052 and \$1,144, respectively)	86,688	56,239		142,927
Use of donated facility (net of unamortized discount of \$286,317)	<u>2,365,375</u>			<u>2,365,375</u>
Total other assets	<u>3,196,433</u>	<u>56,239</u>		<u>3,252,672</u>
Total assets	<u>\$ 7,334,670</u>	<u>\$ 110,217</u>	<u>\$ -</u>	<u>\$ 7,444,887</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2023

(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	\$ 9,434			\$ 9,434
Accrued:				
Payroll taxes	14,923			14,923
Salaries	145,073	\$ 3,133		148,206
Operating lease obligations	77,386			77,386
Finance lease obligations	15,529			15,529
Total current liabilities	262,345	3,133		265,478
Long-term liabilities:				
Operating lease obligations	112,336			112,336
Finance lease obligations	28,263			28,263
Total long-term liabilities	140,599			140,599
Total liabilities	402,944	3,133		406,077
Net assets:				
Without donor restrictions:				
Undesignated	2,025,177	24,959		2,050,136
Board designated	712,005			712,005
Total without donor restrictions	2,737,182	24,959		2,762,141
With donor restrictions	4,194,544	82,125		4,276,669
Total net assets	6,931,726	107,084		7,038,810
Total liabilities and net assets	\$ 7,334,670	\$ 110,217	\$ -	\$ 7,444,887

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

**CONSOLIDATING SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(See independent auditor's report)**

	Mission of Mercy, Inc.	Arizona Health Partnership Fund	Eliminations	Totals
Support, revenue and gains:				
Support:				
Contributions	\$ 2,648,663	\$ 251,701	\$ (145,408)	\$ 2,754,956
Gifts in-kind:				
Drugs and supplies	6,354,430			6,354,430
Facilities, short term	147,786			147,786
Lab and x-ray services	2,309,006			2,309,006
Services	1,041,630			1,041,630
Total support	<u>12,501,515</u>	<u>251,701</u>	<u>(145,408)</u>	<u>12,607,808</u>
Revenue:				
Special events	241,196	5,503		246,699
Miscellaneous revenues	900			900
Gain from finance lease termination	774			774
Interest income	48,169	3,102		51,271
Total revenue	<u>291,039</u>	<u>8,605</u>		<u>299,644</u>
Investment gain, net	<u>33,704</u>			<u>33,704</u>
Total support, revenue and gains	<u>12,826,258</u>	<u>260,306</u>	<u>(145,408)</u>	<u>12,941,156</u>
Expenses and losses:				
Expenses:				
Program services	12,073,474	145,408	(145,408)	12,073,474
Management and general	504,139	40,812		544,951
Fundraising	795,547	68,830		864,377
Special events	97,232	2,001		99,233
Total expenses	<u>13,470,392</u>	<u>257,051</u>	<u>(145,408)</u>	<u>13,582,035</u>
Losses:				
Investment loss, net	5,400			5,400
Loss on disposal of assets	4,186			4,186
Total losses	<u>9,586</u>			<u>9,586</u>
Total expenses and losses	<u>13,479,978</u>	<u>257,051</u>	<u>(145,408)</u>	<u>13,591,621</u>
Change in net assets before donated long-term lease	<u>(653,720)</u>	<u>3,255</u>	<u>-</u>	<u>(650,465)</u>
Donated long-term lease	55,901			55,901
Long-term donated facilities expense	<u>(335,320)</u>			<u>(335,320)</u>
Total change in net assets from donated long-term lease	<u>(279,419)</u>			<u>(279,419)</u>
Change in net assets	<u>(933,139)</u>	<u>3,255</u>	<u>-</u>	<u>(929,884)</u>
Net assets:				
Beginning of year	6,931,726	107,084		7,038,810
End of year	<u>\$ 5,998,587</u>	<u>\$ 110,339</u>	<u>\$ -</u>	<u>\$ 6,108,926</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(See independent auditor's report)

	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
Support, revenue and gains:				
Support:				
Contributions	\$ 2,756,880	\$ 388,805	\$ (214,741)	\$ 2,930,944
Gifts in-kind:				
Drugs and supplies	3,666,612			3,666,612
Facilities, short term	165,990			165,990
Lab and x-ray services	1,929,667			1,929,667
Services	1,052,667	2,000		1,054,667
Indigent drug program	338,779			338,779
Total support	<u>9,910,595</u>	<u>390,805</u>	<u>(214,741)</u>	<u>10,086,659</u>
Revenue:				
Special events	285,848	1,993		287,841
Miscellaneous revenues	1,827	200		2,027
Employee retention credit	73,703			73,703
Interest income	30,745	1,480		32,225
Total revenue	<u>392,123</u>	<u>3,673</u>		<u>395,796</u>
Investment gain, net	<u>26,555</u>			<u>26,555</u>
Total support and revenue	<u>10,329,273</u>	<u>394,478</u>	<u>(214,741)</u>	<u>10,509,010</u>
Expenses and losses:				
Expenses:				
Program services	9,198,387	214,741	(214,741)	9,198,387
Management and general	492,906	44,219		537,125
Fundraising	846,437	125,853		972,290
Special events	88,018	2,895		90,913
Total expenses	<u>10,625,748</u>	<u>387,708</u>	<u>(214,741)</u>	<u>10,798,715</u>
Investment loss, net	<u>6,733</u>			<u>6,733</u>
Total expenses and losses	<u>10,632,481</u>	<u>387,708</u>	<u>(214,741)</u>	<u>10,805,448</u>
Change in net assets before donated long-term lease	<u>(303,208)</u>	<u>6,770</u>	<u>-</u>	<u>(296,438)</u>
Donated long-term lease	157,436			157,436
Long-term donated facilities expense	<u>(317,370)</u>			<u>(317,370)</u>
Total change in net assets from donated long-term lease	<u>(159,934)</u>			<u>(159,934)</u>
Change in net assets	<u>(463,142)</u>	<u>6,770</u>	<u>-</u>	<u>(456,372)</u>
Net assets:				
Beginning of year	7,394,868	100,314		7,495,182
End of year	<u>\$ 6,931,726</u>	<u>\$ 107,084</u>	<u>\$ -</u>	<u>\$ 7,038,810</u>

See notes to consolidated financial statements.