

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

**YEARS ENDED
JUNE 30, 2023 AND 2022**



Brown Plus
ACCOUNTANTS + ADVISORS

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

YEARS ENDED JUNE 30, 2023 AND 2022

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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, 2023 and 2022 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, 2023 and 2022, 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
January 25, 2024

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 1,983,618	\$ 2,425,130
Beneficial interest in assets with Arizona Community Foundation	24,484	23,664
Unconditional promises to give (less allowance for uncollectible promises of \$975 and \$1,722, respectively)	331,965	315,624
Employee retention credit receivable	73,703	
Use of donated facilities	335,320	300,000
Inventory	979,166	802,893
Prepaid expenses		12,785
	<u>3,728,256</u>	<u>3,880,096</u>
Total current assets		
Property and equipment:		
Construction in progress	40,000	
Dental equipment	167,879	116,290
Medical equipment	329,285	321,364
Office equipment	107,587	35,580
Vehicles	885,699	885,699
	<u>1,530,450</u>	<u>1,358,933</u>
Less accumulated depreciation	<u>1,066,491</u>	<u>930,212</u>
Total property and equipment	<u>463,959</u>	<u>428,721</u>
Other assets:		
Cash and cash equivalents restricted for acquisition of property and equipment	151,000	115,000
Security deposits	129,775	126,030
Beneficial interest in endowment with Catholic Community Foundation	276,239	249,684
Operating lease right-of-use asset, net of accumulated amortization	187,356	
Unconditional promises to give (less allowance for uncollectible promises of \$3,196 and \$5,522, respectively)	142,927	320,612
Use of donated facilities (net of unamortized discount of \$286,317 and \$338,275, respectively)	2,365,375	2,560,629
	<u>3,252,672</u>	<u>3,371,955</u>
Total other assets		
Total assets	<u>\$ 7,444,887</u>	<u>\$ 7,680,772</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable	\$ 9,434	\$ 17,579
Accrued:		
Payroll taxes	14,923	14,438
Salaries	148,206	153,573
Operating lease obligations	77,386	
Finance lease obligations	<u>15,529</u>	
Total current liabilities	<u>265,478</u>	<u>185,590</u>
Long-term liabilities:		
Operating lease obligations	112,336	
Finance lease obligations	<u>28,263</u>	
Total long-term liabilities	<u>140,599</u>	
Total liabilities	<u>406,077</u>	<u>185,590</u>
Net assets:		
Without donor restrictions:		
Undesignated	2,050,136	1,572,879
Board designated	<u>712,005</u>	<u>649,781</u>
Total without donor restrictions	2,762,141	2,222,660
With donor restrictions	<u>4,276,669</u>	<u>5,272,522</u>
Total net assets	<u>7,038,810</u>	<u>7,495,182</u>
Total liabilities and net assets	<u>\$ 7,444,887</u>	<u>\$ 7,680,772</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023		2022			
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue:						
Support:						
Contributions	\$ 2,275,502	\$ 655,442	\$ 2,930,944	\$ 2,958,835	\$ 1,722,305	\$ 4,681,140
Gifts in-kind:						
Drugs and supplies	3,666,612		3,666,612	3,933,736		3,933,736
Facilities, short term	165,990		165,990	183,883		183,883
Lab and x-ray services	1,929,667		1,929,667	2,712,437		2,712,437
Services	1,054,667		1,054,667	1,048,469		1,048,469
Indigent drug program	338,779		338,779	521,686		521,686
Total support	9,431,217	655,442	10,086,659	11,359,046	1,722,305	13,081,351
Revenue:						
Special events	287,841		287,841	288,789		288,789
Miscellaneous revenues	2,027		2,027	1,353		1,353
Employee retention credit	73,703		73,703			
Interest income	32,225		32,225	5,578		5,578
Total revenue	395,796		395,796	295,720		295,720
Investment gain, net		26,555	26,555			
Restrictions satisfied by payments and expiration of time	1,517,916	(1,517,916)	-	709,873	(709,873)	-
Total support, revenue and gains	11,344,929	(835,919)	10,509,010	12,364,639	1,012,432	13,377,071

(continued)

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

	2023		2022	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
		Total		Total
Expenses and losses:				
Expenses:				
Program services	\$ 9,198,387	\$ 9,198,387	\$ 10,700,047	\$ 10,700,047
Management and general	537,125	537,125	468,034	468,034
Fundraising	972,290	972,290	814,252	814,252
Special events	90,913	90,913	102,266	102,266
Total expenses	10,798,715	10,798,715	12,084,599	12,084,599
Losses:				
Investment loss, net	6,733	6,733	1,846	36,717
Loss on disposal of assets			1,846	1,846
Total losses	6,733	6,733	1,846	38,563
Total expenses and losses	10,805,448	10,805,448	12,086,445	12,123,162
Other, transfer of funds from operations			(225,000)	225,000
Change in net assets before donated long-term lease	539,481	\$ (835,919)	53,194	1,200,715
				1,253,909

(continued)

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

	2023		2022	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Donated long-term lease		\$ 157,436	\$ 157,436	\$ 61,858
Lease restrictions satisfied by expiration of time	\$ 317,370	(317,370)	-	(300,000)
Long-term donated facilities expense	(317,370)		(317,370)	(300,000)
Total changes in net assets from donated long-term lease	-	(159,934)	(159,934)	(238,142)
Change in net assets	539,481	(995,853)	(456,372)	962,573
Net assets:				
Beginning of year	2,222,660	5,272,522	7,495,182	4,309,949
End of year	\$ 2,762,141	\$ 4,276,669	\$ 7,038,810	\$ 5,272,522
				\$ 7,495,182

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2023 AND 2022

	2023						2022					
	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	\$ 3,417,035		\$ 3,417,035			\$ 3,417,035	\$ 4,071,582		\$ 4,071,582		\$ 4,071,582	
Facilities	152,183	\$ 155	\$ 152,338	\$ 13,003	\$ 649	\$ 165,990	156,305	\$ 306	\$ 156,611	\$ 25,989	\$ 1,283	\$ 183,883
Lab and x-ray services	1,929,667		1,929,667			1,929,667	2,712,437		2,712,437		2,712,437	
Services	1,047,281	560	1,047,841	4,479	2,347	1,054,667	1,039,313	560	1,039,873	5,669	2,927	1,048,469
Indigent drug program	377,745		377,745			377,745	517,360		517,360		517,360	
Total in-kind expenses	6,923,911	715	6,924,626	17,482	2,996	6,945,104	8,496,997	866	8,497,863	31,658	4,210	8,533,731
Salaries	1,114,570	30,819	1,145,389	231,260	418,511	1,795,160	1,053,484	31,098	1,084,582	218,280	336,599	1,639,461
Consultants	34,159	13,000	47,159	2,040	59,333	108,532	51,348	12,750	64,098	95,197	159,295	183,532
Employee benefits	140,494	4,328	144,822	28,011	68,423	241,256	111,880	3,083	114,963	26,234	42,335	183,532
Payroll taxes	86,378	2,311	88,689	17,988	32,290	138,967	79,750	2,364	82,114	17,083	26,262	125,459
Bad debt				14,495		14,495						
Depreciation	126,672	22	126,694	8,005	4,571	139,270	136,514	25	136,539	2,335	105	138,979
Donor development				61,290		61,290						29,481
Insurance	132,428	379	132,807	17,531	8,467	159,805	130,418	218	130,636	7,019	917	138,572
Interest	630	13	643	517	465	1,625						-
Medications and medical supplies	121,483	-	121,483			121,483	143,461	125	143,586			143,586
Occupancy	120,856	6,143	126,999	51,939	40,416	219,354	118,087	7,302	125,389	53,723	43,809	222,921
Office expenses	82,276	4,560	86,836	61,335	35,704	183,875	68,880	4,654	73,534	51,810	29,681	155,025
Postage and printing	4,945	114	5,059	9,084	71,431	85,574	7,345	115	7,460	14,454	36,906	58,820
Professional fees	98,874	11,695	110,569	42,665	147,098	300,332	77,973	3,043	81,016	20,679	151,748	253,443
Public health awareness campaign	1,785		1,785			1,785	23,720		23,720			23,720
Repairs and maintenance	52,008	442	52,450	10,930	3,409	66,789	63,464	491	63,955	11,241	8,407	83,603
Travel and entertainment	22,290	804	23,094	13,211	14,071	50,376	14,984	864	15,848	10,476	7,613	33,937
Miscellaneous	13,116	46,167	59,283	10,632	3,815	73,730	12,633	42,111	54,744	3,042	982	58,768
	\$ 9,076,875	\$ 121,512	\$ 9,198,387	\$ 537,125	\$ 972,290	\$ 10,707,802	\$ 10,590,938	\$ 109,109	\$ 10,700,047	\$ 468,034	\$ 814,252	\$ 11,982,333

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Inflows:		
Receipts from:		
Contributions	\$ 3,036,793	\$ 4,601,159
Special events	287,841	288,789
Miscellaneous receipts	2,027	1,353
Interest income received	24,672	6,914
	<u>3,351,333</u>	<u>4,898,215</u>
Outflows:		
Payments to:		
Employees	1,800,527	1,602,055
Suppliers	1,801,319	1,678,159
Payments for:		
Special events	90,913	102,266
Interest	1,625	
	<u>3,694,384</u>	<u>3,382,480</u>
Net cash provided by (used in) operating activities	<u>(343,051)</u>	<u>1,515,735</u>
Cash flows from investing activities:		
Outflows:		
Purchase of property and equipment	84,623	26,058
Acquisition of beneficial interest in community foundations		250,000
	<u>84,623</u>	<u>276,058</u>
Net cash used in investing activities	<u>(84,623)</u>	<u>(276,058)</u>

(continued)

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows provided by financing activities:		
Inflows, donor-restricted contributions for property and equipment	\$ 41,000	\$ 15,000
Outflows, payment of finance lease	<u>15,093</u>	
Net cash provided by financing activities	<u>25,907</u>	<u>15,000</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(401,767)	\$ 1,254,677
Cash, cash equivalents and restricted cash:		
Beginning of year	<u>2,666,160</u>	<u>1,411,483</u>
End of year	<u><u>\$ 2,264,393</u></u>	<u><u>\$ 2,666,160</u></u>
Reconciliation of cash, cash equivalents and restricted cash to the statement of financial position:		
Current assets, cash and cash equivalents	\$ 1,983,618	\$ 2,425,130
Other assets:		
Cash and cash equivalents restricted for acquisition of property and equipment	151,000	115,000
Security deposits	<u>129,775</u>	<u>126,030</u>
Cash, cash equivalents and restricted cash	<u><u>\$ 2,264,393</u></u>	<u><u>\$ 2,666,160</u></u>
Supplemental disclosures of noncash investing and financing activities:		
Contribution to community foundation endowment fund		\$ 56,250
Donation of property and equipment	\$ 31,000	

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

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, 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 11).

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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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.

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, 2023 AND 2022

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. New accounting pronouncements adopted:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which replaces the former guidance with Accounting Standards Codification (ASC) 842, *Leases*. The core principle of ASC 842 is that any entity should recognize an asset and related liability for leases longer than one year to depict the transfer of promised rights and obligations in an amount that reflects the consideration to which the entity expects to be entitled. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of leases and cash flows arising from contracts. For contracts existing at the time of adoption, the Organization elected to not reassess: (i) whether any are or contain leases, (ii) lease classification and (iii) initial direct costs.

Effective July 1, 2022, the Organization adopted ASU 2016-02 using the modified retrospective method and did not adjust comparative prior periods. The primary impact of the adoption resulted in the recognition of a discounted lease liability and corresponding right-of-use asset of \$46,432 for operating leases and \$58,885 for finance leases, respectively, as well as enhanced disclosures.

3. 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, 2023, the uninsured cash deposits were \$404,673, representing the maximum loss risk.

Cash equivalents and investments with community foundations totaling \$1,092,510 are not covered by deposit insurance.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

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:

	2023	2022
Financial assets due within one year:		
Cash and cash equivalents	\$ 1,983,618	\$ 2,425,130
Beneficial interest in assets with Arizona Community Foundation	24,484	23,664
Unconditional promises to give, current portion	331,965	315,624
Employee retention credit receivable	73,703	
Financial assets due within one year, as of June 30	2,413,770	2,764,418
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions, restricted by donor with time or purpose restrictions	250,581	149,059
Board designations, program development funds	712,005	649,781
	\$ 1,451,184	\$ 1,965,578

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, 2023), which it could draw upon. Additionally, the board has designated funds they could reclassify, if desired.

5. 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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

5. Endowment fund (continued):

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.

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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

5. Endowment fund (continued):

The Foundation 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 the Foundation'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:

	<u>2023</u>	<u>2022</u>
Beneficial interest in endowment with Catholic Community Foundation, beginning of year	\$ 249,684	\$ 5,151
Investment income (net), interest income, gains (losses), and fees	26,555	(36,717)
Principal additions		<u>281,250</u>
Beneficial interest in endowment with Catholic Community Foundation, end of year	<u>\$ 276,239</u>	<u>\$ 249,684</u>

6. 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, 2023, collections were expected pertaining to multi-year commitments as follows:

Less than one year	\$ 332,940
One to five years	108,119
Thereafter	<u>62,800</u>
	503,859
Less:	
Discounts to net present value (see Note 13)	24,796
Allowance for uncollectible promises receivable (see Note 13)	<u>4,171</u>
	<u>\$ 474,892</u>

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

6. Unconditional promises to give (continued):

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

	<u>2023</u>	<u>2022</u>
Arizona	\$ 144,127	\$ 192,303
Maryland/Pennsylvania	244,973	347,610
Texas	85,792	96,323
	<u>\$ 474,892</u>	<u>\$ 636,236</u>

7. Inventory:

Inventory consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Purchased drugs and other medical supplies	\$ 6,571	\$ 9,909
Donated drugs and other medical supplies (see Note 11)	967,165	748,588
Indigent drugs (see Note 12)	5,430	44,396
	<u>\$ 979,166</u>	<u>\$ 802,893</u>

8. 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, 2023. As of June 30, 2023, interest of 8.5% is due and payable monthly; the rate charged is equal to *The Wall Street Journal* prime rate. The line of credit matures on April 1, 2024. 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, 2023.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

9. 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, 2023 and 2022 were \$712,005 and \$649,781, respectively.

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

	2023	2022
Arizona:		
Clinics	\$ 287,502	\$ 1,073,979
Diabetes management program	108,465	90,064
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	6,000
Vaccines	34,241	16,456
Vision equipment and supplies	15,500	
Women, children and senior care		35,000
Mission of Mercy Arizona Health Partnership Fund, Arizona clinics	82,125	80,824
Endowment to be held in perpetuity (see Note 5)	276,239	249,684
Maryland/Pennsylvania:		
ALICE family care		5,625
Dental clinics	20,250	15,000
Diabetes, hypertension and heart disease programs	3,000	
Medical clinics	202,772	176,401
Medications		1,000
Partner and grow initiative	7,500	
Purchase of new medical unit	45,000	5,000
Senior care	12,500	11,250
Sustainability and succession	170,000	334,934
Veteran care		1,403
Women's care	25,000	
Use of donated facility (see Note 11)	82,970	
Texas:		
Clinics	98,005	116,998
Dental clinics		32,275
Full-time nurse	60,000	60,000
Medical equipment	6,000	
Use of donated facility (see Note 11)	2,617,725	2,860,629
	\$ 4,276,669	\$ 5,272,522

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

10. Leases:

The Organization leases office and storage space in Frederick, Maryland; Fairfield, 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 11). Office rent expense, presented in occupancy expense, totaled \$99,897 and \$114,084 for the years ended June 30, 2023 and 2022, respectively. These leases expire between November 2023 and December 2025. Future monthly lease payments range between \$850 and \$4,171.

The Organization also leases a number of copiers on a master lease that expires March 2026. Future monthly lease payments are \$1,378. Depreciation of the copiers totaled \$15,703, and interest on the finance lease liability was \$1,443 for the year ended June 30, 2023.

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, 2023:

Lease-related assets and liabilities right-of-use assets	Financial statement line items	2023
Operating leases:	Other assets, operating lease right-of-use asset, net of accumulated amortization	\$ 187,356
Finance leases:	Office equipment, net of accumulated depreciation	43,182
Operating lease obligations	Current liabilities, operating lease obligations	77,386
	Long-term liabilities, operating lease obligations	112,336
Finance lease obligations	Current liabilities, finance lease obligations	15,529
	Long-term liabilities, finance lease obligations	28,263

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

10. 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>
2024	\$ 83,470	\$ 16,536	\$ 100,006
2025	81,196	16,536	97,732
2026	34,815	12,402	47,217
Total future undiscounted lease payments	199,481	45,474	244,955
Less imputed interest	9,759	1,682	11,441
Present value of net undiscounted lease payments	189,722	43,792	233,514
Less current portion	77,386	15,529	92,915
Long-term portion of leases	<u>\$ 112,336</u>	<u>\$ 28,263</u>	<u>\$ 140,599</u>
Weighted Average Lease Term	2.29 years	2.67 years	
Weighted Average Discount Rate	4.33%	2.85%	

11. 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 \$1,929,667 and \$2,712,437 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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 \$1,044,667 and \$1,036,699, respectively. The services recognized in the consolidated financial statements represent 16,761 and 18,794 hours of time contributed for the years ended June 30, 2023 and 2022, respectively. In addition, for the years ended June 30, 2023 and 2022, accountants, attorneys and other professionals donated services valued at \$10,000 and \$11,770, 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 9,775 and 11,450 hours for the years ended June 30, 2023 and 2022, respectively.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

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

For the years ended June 30, 2023 and 2022, the Organization recognized revenue (support) from donated drugs and supplies, used by patients in the normal course of operations, valued at \$3,666,612 and \$3,933,736, respectively. These amounts include donated office and dental equipment, valued at \$0 and \$900, 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, 2023 and 2022, respectively. Donated drugs and supplies inventory as of June 30, 2023 and 2022 was valued at \$967,165 and \$748,588, respectively (see Notes 7 and 13).

During the years ended June 30, 2023 and 2022, the Organization used short-term donated facilities valued at \$165,990 and \$183,883, 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, 2023 and 2022, 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 10. 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, 2023 and 2022, long-term donated facilities expense and net assets released from restrictions related to this lease totaled \$17,370 and \$0-, respectively.

Use of donated facility will be received as follows as of June 30, 2023:

Less than one year	\$ 335,320
One to five years	1,552,787
Thereafter	<u>1,098,905</u>
	2,987,012
Less, unamortized discount to net present value	<u>286,317</u>
Net use of donated facility	<u><u>\$ 2,700,695</u></u>

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

12. 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, 2023 and 2022, the Organization recognized revenue from medications received from these programs of \$338,779 and \$521,686, respectively. This amount was also recognized as expense except for the change in the medications in inventory at year end for the years ended June 30, 2023 and 2022, respectively. Indigent drug inventory as of June 30, 2023 and 2022 was valued at \$5,430 and \$44,396, respectively (see Notes 7 and 13).

13. 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, 2023 and 2022: 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 7, 11 and 12) - Valued at current unadjusted quoted wholesale or discount supplier prices (a Level 2 measurement).

Use of donated facilities (see Note 11) - 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%.

Beneficial interests and savings with community foundations (see Note 5) – 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.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

13. Fair value measurements (continued):

Unconditional promises to give (see Note 6) - 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 3.81% and 2.98% as of June 30, 2023 and 2022, 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, 2023 and 2022, unconditional promises to give to the Organization were discounted by an additional 1.87% and 3.00%, 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:

	2023	
	Level 2	Total
Donated drug inventory	\$ 967,165	\$ 967,165
Indigent drug inventory	5,430	5,430
Beneficial interest in endowment with Catholic Community Foundation	276,239	276,239
Beneficial interest in assets with Arizona Community Foundation	24,484	24,484
Savings with Catholic Community Foundation	389,486	389,486
Use of donated facility	2,700,695	2,700,695
Unconditional promises to give	474,892	474,892
Total assets at fair value	\$ 4,838,391	\$ 4,838,391

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

13. Fair value measurements (continued):

	2022	
	Level 2	Total
Donated drug inventory	\$ 748,588	\$ 748,588
Indigent drug inventory	44,396	44,396
Beneficial interest in endowment with Catholic Community Foundation	249,684	249,684
Beneficial interest in assets with Arizona Community Foundation	23,664	23,664
Savings with Catholic Community Foundation	778,525	778,525
Use of donated facility	2,860,629	2,860,629
Unconditional promises to give	636,236	636,236
Total assets at fair value	<u>\$ 5,341,722</u>	<u>\$ 5,341,722</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 25% and 29% for the years ended June 30, 2023 and 2022, 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.

15. 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, 2023 and 2022. This plan is tax exempt and has been approved by the Internal Revenue Service.

16. 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 three years after it was filed, which is February 2026.

17. Subsequent events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 25, 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, 2023 AND 2022
(See independent auditor's report)

	MARYLAND/PENNSYLVANIA											
	2023					2022						
	Program services		Supporting services			Program services		Supporting services				
	Health Services Program	Community Connections Program	Total program	Management and general	Fundraising	Total functional expenses	Health Services Program	Community Connections Program	Total program	Management and general	Fundraising	Total functional expenses
In-kind expenses:												
Donated:												
Drugs and supplies	\$ 1,756,139	\$ 9	\$ 1,756,139	\$ 12,543	\$ 226	\$ 1,756,139	\$ 2,570,425	\$ 17	\$ 2,570,425	\$ 25,080	\$ 446	\$ 2,570,425
Facilities	70,595		70,604			83,373	74,559		74,576			100,102
Lab and x-ray services	198,335		198,335			198,335	436,136		436,136			436,136
Services	433,676	32	433,708	816	816	435,340	399,462	32	399,494	816	816	401,126
Total in-kind expenses	2,458,745	41	2,458,786	13,359	1,042	2,473,187	3,480,582	49	3,480,631	25,896	1,262	3,507,789
Salaries	574,517	7,113	581,630	92,721	164,379	838,730	475,115	6,660	481,775	86,406	157,843	726,024
Consultants	648		648	2,040		2,688						
Employee benefits	46,604	264	46,868	6,038	13,369	66,275	19,867	320	20,187	13,826	18,632	52,645
Payroll taxes	44,427	545	44,972	7,064	12,572	64,608	34,340	518	34,858	6,692	12,254	53,804
Depreciation	61,974	1	61,975	3,035	1,368	66,378	74,153	1	74,154	101	37	74,292
Donor development	33,551	22	33,573	2,444	552	36,569	28,592	12	28,604	1,571	318	30,493
Insurance	292	1	293	263	141	697						
Interest	30,062		30,062			30,062	30,969		30,969			30,969
Medications and medical supplies	52,693	2,308	55,001	21,853	18,697	95,551	51,757	2,382	54,139	20,326	19,483	93,948
Occupancy	30,129	531	30,660	18,276	12,614	61,550	28,488	817	29,305	12,908	9,688	51,901
Office expenses	1,473	7	1,480	1,582	56,285	59,347	2,091	7	2,098	5,820	21,709	29,627
Postage and printing	13,120	320	13,440	12,658	26,579	52,677	9,457	363	9,820	4,090	27,786	41,696
Professional fees	25,402	11	25,413	3,017	592	29,022	40,876	35	40,911	4,915	1,949	47,775
Repairs and maintenance	14,319	44	14,363	3,116	10,769	28,248	8,942	49	8,991	3,145	4,569	16,705
Travel and entertainment	4,478	81	4,559	3,459	2,083	10,101	4,524	30	4,554	547	707	5,808
Miscellaneous	3,392,434	11,289	3,403,723	190,925	321,042	3,915,690	4,289,753	11,243	4,300,996	186,243	277,552	4,764,791
Grand total for all regions	\$ 9,076,875	\$ 121,512	\$ 9,198,387	\$ 537,125	\$ 972,290	\$ 10,707,802	\$ 10,590,938	\$ 109,109	\$ 10,700,047	\$ 468,034	\$ 814,252	\$ 11,982,333

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

**CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022
(See independent auditor's report)**

	2023										2022									
	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	Health Services Program	Community Connections Program	Total program	Management and general	Fundraising	Total functional expenses		
In-kind expenses:																				
Donated:																				
Drugs and supplies	\$ 1,556,373	\$ 146	\$ 1,556,373	\$ 219	\$ 183	\$ 1,556,373	\$ 1,390,828	\$ 289	\$ 1,390,828	\$ 433	\$ 1,390,828	\$ 82,338	\$ 361	\$ 1,390,828	\$ 433	\$ 361	\$ 1,390,828	\$ 82,338		
Facilities	81,340		81,486			81,486	81,255		81,544		81,544	180,465		180,465			180,465	180,465		
Lab and x-ray services	235,837		235,837			235,837	180,465		180,465		180,465	367,474		367,474			367,474	367,474		
Services	421,394	528	421,922	2,792	680	425,374	367,474	528	368,002	3,982	368,002		1,240		1,240		373,224	373,224		
Total in-kind expenses	2,294,944	674	2,295,618	3,011	843	2,299,472	2,020,022	817	2,020,839	4,415	2,020,839		1,601		1,601		2,026,855	2,026,855		
Salaries	336,694	23,706	360,400	57,642	156,922	574,964	291,537	24,438	315,975	49,820	315,975	80,985	30	80,985	49,820	30	27,763	446,780		
Consultants	33,511	13,000	46,511	59,333	59,333	105,844	51,348	12,750	64,098	95,197	64,098	159,295	25,960	159,295	95,197	25,960	39,658	39,658		
Employee benefits	70,819	4,064	74,883	8,272	37,938	121,093	58,471	2,763	61,234	4,483	61,234	78,573	257	78,573	4,483	257	12,856	12,856		
Payroll taxes	25,194	1,766	26,960	4,300	11,722	42,982	21,830	1,846	23,676	3,754	23,676	33,505		33,505	3,754		6,075	6,075		
Bad debt				14,495		14,495														
Depreciation	27,665	21	27,686	176	27	27,889	27,618	24	27,642	91	27,642				91		30	30		
Donor development					61,290	61,290	36,125	206	36,331	3,070	36,331				3,070		25,960	25,960		
Insurance	36,705	357	37,062	3,554	446	41,062														
Interest	15	12	27	18	15	60														
Medications and medical supplies	68,707		68,707			68,707	87,924	125	88,049		88,049	88,049		88,049			88,049	88,049		
Occupancy	34,283	3,835	38,118	20,331	15,875	74,324	35,794	4,920	40,714	24,931	40,714	84,699		84,699	24,931		19,054	19,054		
Office expenses	17,800	4,029	21,829	23,826	12,776	58,431	16,168	3,837	20,005	22,103	20,005	51,885		51,885	22,103		9,777	9,777		
Postage and printing	1,557	107	1,664	1,041	7,764	10,469	1,289	108	1,397	1,604	1,397	7,920		7,920	1,604		4,919	4,919		
Professional fees	66,114	11,375	77,489	19,913	64,413	161,815	63,174	2,680	65,854	11,188	65,854	154,742		154,742	11,188		77,700	77,700		
Public Health Awareness Campaign	1,785		1,785			1,785	23,720		23,720		23,720						23,720	23,720		
Repairs and maintenance	10,794	431	11,225	1,353	1,206	13,784	11,849	456	12,305	1,557	12,305	15,394		15,394	1,557		1,532	1,532		
Travel and entertainment	2,356	760	3,116	2,032	2,097	7,245	1,333	815	2,148	1,649	2,148	5,161		5,161	1,649		1,364	1,364		
Miscellaneous	4,517	46,086	50,603	3,472	1,692	55,767	3,759	42,081	45,840	354	45,840	48,251		48,251	354		57	57		
Total	\$ 3,033,460	\$ 110,223	\$ 3,143,683	\$ 163,436	\$ 434,359	\$ 3,741,478	\$ 2,751,961	\$ 97,866	\$ 2,849,827	\$ 129,019	\$ 2,849,827	\$ 3,316,210		\$ 337,364		\$ 337,364		\$ 3,316,210	\$ 3,316,210	
Grand total for all regions	\$ 9,076,875	\$ 121,512	\$ 9,198,387	\$ 537,125	\$ 972,290	\$ 10,707,802	\$ 10,590,938	\$ 109,109	\$ 10,700,047	\$ 468,034	\$ 10,700,047	\$ 11,982,333		\$ 814,252		\$ 814,252		\$ 11,982,333	\$ 11,982,333	

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

**CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES BY REGION (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022
(See independent auditor's report)**

	TEXAS											
	2023					2022						
	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	\$ 104,523	\$ 104,523	\$ 104,523	\$ 241	\$ 240	\$ 104,523	\$ 110,329	\$ 491	\$ 110,329	\$ 476	\$ 476	\$ 110,329
Facilities	248	248	248			729	481		491			1,443
Lab and x-ray services	1,495,495	1,495,495	1,495,495	871	871	1,495,495	2,095,836	272,377	2,095,836	871	871	2,095,836
Services	192,211	192,211	192,211			193,953	272,377		272,377			274,119
Indigent drug program	377,745	377,745	377,745			377,745	517,360		517,360			517,360
Total in-kind expenses	2,170,222	2,170,222	2,170,222	1,112	1,111	2,172,445	2,996,393	2,996,393	2,996,393	1,347	1,347	2,999,087
Salaries	203,359	203,359	203,359	80,897	97,210	381,466	286,832	286,832	286,832	82,054	97,771	466,657
Employee benefits	23,071	23,071	23,071	13,701	17,116	53,888	33,542	33,542	33,542	7,925	10,847	52,314
Payroll taxes	16,757	16,757	16,757	6,624	7,996	31,377	23,580	23,580	23,580	6,637	7,933	38,150
Depreciation	37,033	37,033	37,033	4,794	3,176	45,003	34,743	34,743	34,743	2,143	38	36,924
Donor development												
Insurance	62,172	62,172	62,172	11,533	7,469	81,174	65,701	65,701	65,701	2,378	342	68,421
Interest	323	323	323	236	309	868						
Medications and medical supplies	22,714	22,714	22,714			22,714	24,568	24,568	24,568			24,568
Occupancy	33,880	33,880	33,880	9,755	5,844	49,479	30,536	30,536	30,536	8,466	5,272	44,274
Office expenses	34,347	34,347	34,347	19,233	10,314	63,894	24,224	24,224	24,224	16,799	10,216	51,239
Postage and printing	1,915	1,915	1,915	6,461	7,382	15,758	3,965	3,965	3,965	7,030	10,278	21,273
Professional fees	19,640	19,640	19,640	10,094	56,106	85,840	5,342	5,342	5,342	5,401	46,262	57,005
Repairs and maintenance	15,812	15,812	15,812	6,560	1,611	23,983	10,739	10,739	10,739	4,769	4,926	20,434
Travel and entertainment	5,615	5,615	5,615	8,063	1,205	14,883	4,709	4,709	4,709	5,682	1,680	12,071
Miscellaneous	4,121	4,121	4,121	3,701	40	7,862	4,350	4,350	4,350	2,141	218	6,709
	\$ 2,650,981	\$ 2,650,981	\$ 2,650,981	\$ 182,764	\$ 216,889	\$ 3,050,634	\$ 3,549,224	\$ 3,549,224	\$ 3,549,224	\$ 152,772	\$ 199,336	\$ 3,901,332
Grand total for all regions	\$ 9,076,875	\$ 121,512	\$ 9,198,387	\$ 537,125	\$ 972,290	\$ 10,707,802	\$ 10,590,938	\$ 10,590,938	\$ 10,700,047	\$ 468,034	\$ 814,252	\$ 11,982,333

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 \$975)	306,079	25,886		331,965
Employee retention credit receivable	73,703			73,703
Use of donated facilities	335,320			335,320
Inventory	979,166			979,166
Total current assets	3,674,278	53,978		3,728,256
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	1,066,491			1,066,491
Total property and equipment	463,959			463,959
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 assets 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 \$3,196)	86,688	56,239		142,927
Use of donated facilities (net of unamortized discount of \$286,317)	2,365,375			2,365,375
Total other assets	3,196,433	56,239		3,252,672
Total 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 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 FINANCIAL POSITION

JUNE 30, 2022

(See independent auditor's report)

ASSETS

	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current assets:				
Cash and cash equivalents	\$ 2,343,408	\$ 81,722		\$ 2,425,130
Beneficial interest in assets with Arizona Community Foundation	23,664			23,664
Unconditional promises to give (less allowance for uncollectible promises of \$1,722)	285,998	29,626		315,624
Use of donated facility	300,000			300,000
Inventory	802,893			802,893
Prepaid expenses	<u>2,370</u>	<u>10,415</u>		<u>12,785</u>
Total current assets	<u>3,758,333</u>	<u>121,763</u>		<u>3,880,096</u>
Property and equipment:				
Dental equipment	116,290			116,290
Medical equipment	321,364			321,364
Office equipment	35,580			35,580
Vehicles	<u>885,699</u>			<u>885,699</u>
	1,358,933			1,358,933
Less accumulated depreciation	<u>930,212</u>			<u>930,212</u>
Total property and equipment	<u>428,721</u>			<u>428,721</u>
Other assets:				
Cash and cash equivalents restricted for acquisition of property and equipment	115,000			115,000
Security deposits	126,030			126,030
Beneficial interest in assets with Catholic Community Foundation	249,684			249,684
Unconditional promises to give (less allowance for uncollectible promises of \$5,522)	269,414	51,198		320,612
Use of donated facility (net of unamortized discount of \$338,275)	2,560,629			2,560,629
Promise to give due from fund	<u>70,000</u>		\$ (70,000)	<u>-</u>
Total other assets	<u>3,390,757</u>	<u>51,198</u>	<u>(70,000)</u>	<u>3,371,955</u>
Total assets	<u>\$ 7,577,811</u>	<u>\$ 172,961</u>	<u>\$ (70,000)</u>	<u>\$ 7,680,772</u>

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

JUNE 30, 2022

(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	\$ 17,579			\$ 17,579
Accrued:				
Payroll taxes	14,438			14,438
Salaries	150,926	\$ 2,647		153,573
Promise to give due from fund		70,000	\$ (70,000)	-
Total current liabilities	182,943	72,647	(70,000)	185,590
Total liabilities	182,943	72,647	(70,000)	185,590
Net assets:				
Without donor restrictions:				
Undesignated	1,553,389	19,490		1,572,879
Board designated	649,781			649,781
Total without donor restrictions	2,203,170	19,490		2,222,660
With donor restrictions	5,191,698	80,824		5,272,522
Total net assets	7,394,868	100,314		7,495,182
Total liabilities and net assets	\$ 7,577,811	\$ 172,961	\$ (70,000)	\$ 7,680,772

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.	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	9,910,595	390,805	(214,741)	10,086,659
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	392,123	3,673		395,796
Investment gain, net	26,555			26,555
Total support, revenue and gains	10,329,273	394,478	(214,741)	10,509,010
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	10,625,748	387,708	(214,741)	10,798,715
Losses, investment loss, net	6,733			6,733
Total expenses and losses	10,632,481	387,708	(214,741)	10,805,448
Change in net assets before donated long-term lease	(303,208)	6,770	-	(296,438)
Donated long-term lease	157,436			157,436
Long-term donated facilities expense	(317,370)			(317,370)
Total change in net assets from donated long-term lease	(159,934)			(159,934)
Change in net assets	(463,142)	6,770	-	(456,372)
Net assets:				
Beginning of year	7,394,868	100,314		7,495,182
End of year	\$ 6,931,726	\$ 107,084	\$ -	\$ 7,038,810

See notes to consolidated financial statements.

MISSION OF MERCY, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATING SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(See independent auditor's report)

	Mission of Mercy, Inc.	Mission of Mercy Arizona Health Partnership Fund	Eliminations	Totals
Support and revenue:				
Support:				
Contributions	\$ 4,603,510	\$ 204,790	\$ (127,160)	\$ 4,681,140
Gifts in-kind:				
Drugs and supplies	3,933,736			3,933,736
Facilities, short term	183,883			183,883
Lab and x-ray services	2,712,437			2,712,437
Services	1,045,039	3,430		1,048,469
Indigent drug program	521,686			521,686
Total support	<u>13,000,291</u>	<u>208,220</u>	<u>(127,160)</u>	<u>13,081,351</u>
Revenue:				
Special events	283,418	5,371		288,789
Miscellaneous revenues	1,065	288		1,353
Interest income	5,578			5,578
Total revenue	<u>290,061</u>	<u>5,659</u>		<u>295,720</u>
Total support and revenue	<u>13,290,352</u>	<u>213,879</u>	<u>(127,160)</u>	<u>13,377,071</u>
Expenses and losses:				
Expenses:				
Program services	10,700,047	127,160	(127,160)	10,700,047
Management and general	447,482	20,552		468,034
Fundraising	746,486	67,766		814,252
Special events	98,912	3,354		102,266
Total expenses	<u>11,992,927</u>	<u>218,832</u>	<u>(127,160)</u>	<u>12,084,599</u>
Losses:				
Investment loss, net	36,717			36,717
Loss of disposal of assets	1,846			1,846
Total losses	<u>38,563</u>			<u>38,563</u>
Total expenses and losses	<u>12,031,490</u>	<u>218,832</u>	<u>(127,160)</u>	<u>12,123,162</u>
Change in net assets before donated long-term lease	<u>1,258,862</u>	<u>(4,953)</u>	<u>-</u>	<u>1,253,909</u>
Donated long-term lease	61,858			61,858
Long-term donated facilities expense	<u>(300,000)</u>			<u>(300,000)</u>
Total change in net assets from donated long-term lease	<u>(238,142)</u>			<u>(238,142)</u>
Change in net assets	1,020,720	(4,953)	-	1,015,767
Net assets:				
Beginning of year	<u>6,374,148</u>	<u>105,267</u>		<u>6,479,415</u>
End of year	<u>\$ 7,394,868</u>	<u>\$ 100,314</u>	<u>\$ -</u>	<u>\$ 7,495,182</u>

See notes to consolidated financial statements.