MERCY MULTIPLIED AMERICA, INC.
Financial Statements
And
Independent Auditors' Report
Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mercy Multiplied America, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Mercy Multiplied America, Inc. (a Tennessee not-for-profit corporation, the "Ministry"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Ministry's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Multiplied America, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 3 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

April 17, 2018

MERCY MULTIPLIED AMERICA, INC.
Statements of Financial Position
December 31, 2017 and 2016

ASSETS

	2017	2016
Current assets		
Cash - unrestricted	$ 1,048,014	$ 594,433
Contributions receivable, net	173,259	77,119
Contribution receivable - facility use	108,519	61,875
Other receivables	27,825	41,865
Inventory	45,691	66,743
Prepaid expenses	37,063	62,034
Other current assets	5,510	500
Total current assets	1,445,881	904,569
Cash - permanently restricted	550,000	550,000
Property and equipment		
Land	1,001,281	1,001,281
Land - undeveloped	1,040,525	1,040,525
Buildings and improvements	6,770,841	6,619,672
Equipment and furniture	2,072,269	2,063,622
Vehicles	276,584	274,084
Website and database	65,311	65,311
	11,226,811	11,064,495
Less accumulated depreciation and amortization	(5,810,416)	(5,534,982)
Property and equipment, net	5,416,395	5,529,513
Land held for sale	2,003,323	2,003,323
Total Assets	$ 9,415,599	$ 8,987,405

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities		
Accounts payable	$ 42,960	$ 46,166
Accrued expenses	347,611	314,012
Current portion of note payable	122,002	117,293
Total current liabilities	512,573	477,471
Note payable, net of current portion	629,185	741,636
Total liabilities	1,141,758	1,219,107
Net assets		
Unrestricted	7,260,315	7,095,176
Temporarily restricted	463,526	123,122
Permanently restricted	550,000	550,000
Total net assets	8,273,841	7,768,298
Total Liabilities and Net Assets	$ 9,415,599	$ 8,987,405

The accompanying notes are an integral part of these financial statements.

MERCY MULTIPLIED AMERICA, INC.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2017 and 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Contributions	$ 7,389,590	$ 651,531	$ -	$ 8,041,121
Special events	537,704	-	-	537,704
In-kind donations	126,406	434,076	-	560,482
Resource sales	57,521	-	-	57,521
Adoption application fees	3,000	-	-	3,000
Other income	58,878	-	-	58,878
Total Support and Revenues	8,173,099	1,085,607	-	9,258,706
Net assets released from restrictions	745,203	(745,203)	-	-
Total Support, Revenues and Reclassifications	8,918,302	340,404	-	9,258,706
Functional Expenses				
Counseling and outreach	7,499,532	-	-	7,499,532
Management and general	704,782	-	-	704,782
Fundraising	548,849	-	-	548,849
Total Functional Expenses	8,753,163	-	-	8,753,163
Increase in net assets	165,139	340,404	-	505,543
Net assets - beginning of year	7,095,176	123,122	550,000	7,768,298
Net assets - end of year	$ 7,260,315	$ 463,526	$ 550,000	$ 8,273,841

The accompanying notes are an integral part of these financial statements.

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Contributions	$ 7,218,588	$ 325,935	$ -	$7,544,523
Special events	491,911	-	-	491,911
In-kind donations	104,786	247,500	-	352,286
Resource sales	80,446	-	-	80,446
Adoption application fees	2,700	-	-	2,700
Other income	66,854	-	-	66,854
Total Support and Revenues	7,965,285	573,435	-	8,538,720
Net assets released from restrictions	924,437	(924,437)	-	-
Total Support, Revenues and Reclassifications	8,889,722	(351,002)	-	8,538,720
Functional Expenses				
Counseling and outreach	7,483,226	-	-	7,483,226
Management and general	755,118	-	-	755,118
Fundraising	558,336	-	-	558,336
Total Functional Expenses	8,796,680	-	-	8,796,680
Increase (Decrease) in net assets	93,042	(351,002)	-	(257,960)
Net assets - beginning of year	7,002,134	474,124	550,000	8,026,258
Net assets - end of year	$ 7,095,176	$ 123,122	$ 550,000	$7,768,298

The accompanying notes are an integral part of these financial statements.

MERCY MULTIPLIED AMERICA, INC.
Statements of Functional Expenses
Years Ended December 31, 2017 and 2016

	2017			
	Program Services	Supporting Services		
	Counseling and Outreach	Management and General	Fundraising	Total
Salaries	$ 3,677,487	$ 326,277	$ 283,109	$ 4,286,873
Benefits	495,715	43,981	38,162	577,858
Contract labor	2,562	-	-	2,562
Total salaries and related expenses	4,175,764	370,258	321,271	4,867,293
Tithe	755,707	-	-	755,707
Occupancy	466,616	4,713	-	471,329
Room and board	496,413	-	-	496,413
Contributions to Mercy Multiplied International, Inc.	359,790	-	-	359,790
Special events	129,025	-	93,432	222,457
Utilities	170,678	15,144	13,140	198,962
Marketing and public relations	68,547	-	68,546	137,093
Insurance	106,855	9,481	8,226	124,562
Repairs and maintenance	104,264	11,255	5,424	120,943
Professional fees	58,114	56,411	3,639	118,164
Travel, conferences and meetings	73,216	9,041	9,041	91,298
IT outsourcing	-	91,213	-	91,213
Computer and equipment	71,883	6,766	5,920	84,569
Telephone	64,315	5,706	4,951	74,972
Contribution processing charges	-	73,549	-	73,549
Cost of resources sold	38,578	-	-	38,578
New hire and staff development	32,551	2,888	2,506	37,945
Interest	-	31,561	-	31,561
Automobile	23,497	2,567	-	26,064
Office	17,883	1,579	1,370	20,832
Postage	10,727	1,783	5,348	17,858
Miscellaneous	10,003	5,331	1,242	16,576
Total expenses before depreciation and amortization	7,234,426	699,246	544,056	8,477,728
Depreciation and amortization	265,106	5,536	4,793	275,435
Total expenses	$ 7,499,532	$ 704,782	$ 548,849	$ 8,753,163

The accompanying notes are an integral part of these financial statements.

	2016			
	Program Services	Supporting Services		
	Counseling and Outreach	Management and General	Fundraising	Total
Salaries	$ 3,679,483	$ 380,749	$ 277,898	$ 4,338,130
Benefits	521,121	53,925	39,358	614,404
Contract labor	1,883	15,459	132	17,474
Total salaries and related expenses	4,202,487	450,133	317,388	4,970,008
Tithe	772,317	-	-	772,317
Occupancy	325,093	4,216	-	329,309
Room and board	488,785	-	-	488,785
Contributions to Mercy Multiplied International, Inc.	369,381	-	-	369,381
Special events	134,472	-	97,506	231,978
Utilities	158,028	16,353	11,935	186,316
Marketing and public relations	67,003	-	67,003	134,006
Insurance	140,509	14,540	10,612	165,661
Repairs and maintenance	123,304	5,089	3,705	132,098
Professional fees	46,247	57,948	9,646	113,841
Travel, conferences and meetings	62,822	7,853	7,853	78,528
IT outsourcing	-	73,590	-	73,590
Computer and equipment	41,780	4,323	3,156	49,259
Telephone	57,316	5,931	4,329	67,576
Contribution processing charges	-	42,798	-	42,798
Cost of resources sold	44,343	-	-	44,343
New hire and staff development	36,537	3,781	2,759	43,077
Interest	-	39,841	-	39,841
Automobile	27,990	3,110	-	31,100
Office	26,633	2,756	2,011	31,400
Postage	11,038	1,840	5,519	18,397
Miscellaneous	9,630	4,071	2,578	16,279
Total expenses before depreciation and amortization	7,145,715	738,173	546,000	8,429,888
Depreciation and amortization	337,511	16,945	12,336	366,792
Total expenses	$ 7,483,226	$ 755,118	$ 558,336	$ 8,796,680

The accompanying notes are an integral part of these financial statements.

MERCY MULTIPLIED AMERICA, INC.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Increase (decrease) in net assets	$ 505,543	$ (257,960)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	275,435	366,792
Cash contributions for property and equipment	(403,805)	(445)
Decrease (increase) in		
Contributions receivable	(96,140)	175,543
Contribution receivable - facility use	(46,644)	-
Other receivables	14,040	(37,036)
Inventory	21,052	29,295
Prepaid expenses	24,971	(12,365)
Other current assets	(5,010)	5,250
Increase (decrease) in		
Accounts payable	(3,206)	(42,341)
Accrued expenses	33,599	83,666
Total adjustments	(185,708)	568,359
Net cash provided by operating activities	319,835	310,399
Cash flows from investing activities		
Purchases of property and equipment	(162,317)	(60,113)
Net cash used by investing activities	(162,317)	(60,113)
Cash flows from financing activities		
Contributions restricted for property and equipment	403,805	445
Payments on notes payable	(107,742)	(486,217)
Net cash provided (used) by financing activities	296,063	(485,772)
Net increase (decrease) in cash	453,581	(235,486)
Cash - beginning of year	1,144,433	1,379,919
Cash - end of year	$ 1,598,014	$ 1,144,433
Reconciliation of cash to statements of financial position		
Cash - unrestricted	$ 1,048,014	$ 594,433
Cash - permanently restricted	550,000	550,000
	$ 1,598,014	$ 1,144,433

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Mercy Multiplied America, Inc. (the "Ministry") is a Tennessee not-for-profit corporation whose mission is to provide opportunities for all to experience God's unconditional love, forgiveness, and life-transforming power. The Ministry serves this mission in two ways: through a residential program and through outreach programs and resources.

The Ministry's residential program is provided free of charge to young women ages 13 to 28 who are struggling with life-controlling issues, including eating disorders, self-harm, drug and alcohol addictions, unplanned pregnancy, depression, sexual abuse, and sex trafficking. The program is voluntary, lasts approximately six months, and includes biblically based counseling and teaching integrated with life-skills training and educational opportunities. The goal is to help residents permanently stop destructive cycles, discover purpose for their lives, and become productive and thriving individuals. The Ministry currently operates homes in California, Louisiana, Missouri and Tennessee.

In addition to its residential program, the Ministry offers outreach programs and resources based on the same biblically based, life-transforming principles used in Mercy homes. These initiatives are designed for men and women ages 12 and up and seek to bring awareness to life-controlling issues, teach keys to lasting freedom, and share practical insights into helping others who are struggling. Outreach programs include educational events and workshops; resources include content on the Ministry's website, podcasts, books, a biblically based study and corresponding videos, and various teaching materials for pastors, parents, and the community at large.

The Ministry has experienced tremendous increase in the global interest and demand for its services. In order to respond to the increase in demand, during 2007 a separate not-for-profit was organized, Mercy Multiplied International, Inc. ("MMI" – formally known as Mercy Ministries International, Inc.). MMI is custodian and owner of the Mercy Multiplied programs on a global basis. MMI provides the Ministry spiritual support and technical assistance with the ongoing operation of existing homes and the startup and initial operation of new homes. The Ministry transferred all rights to its intellectual properties to MMI upon formation.

The Ministry has a Ministry Collaboration Agreement (MCA) with MMI, agreeing to adhere to the standards of operation, governance, structure and commitments as defined per the MCA agreement. As part of this agreement, the Board of Directors, on behalf of the Ministry, may make donations to MMI as the Ministry deems appropriate to support its efforts to spread the ministry throughout the world.

Mercy Multiplied America, Inc. operated under the name Mercy Ministries of America, Inc. until October 2015, when it changed its name to reflect its expanded outreach initiatives and commitment to "multiplying" Mercy outside of its residential homes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Cash

Cash includes funds on deposit with financial institutions.

Contributions Receivable

Contributions receivable represent those contributions received immediately after year end that are postmarked prior to year end and pledge receivables made at fundraising events.

A contribution receivable for facility use and corresponding temporarily restricted revenue for the difference between the fair rental value of the facilities and the stated amount of lease payments have been recognized each year for the ensuing one-year period. The associated facility expense is then recorded over the lease term.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Inventory

Inventory consists of paperback copies of books written by the founder of the Ministry, jewelry and apparel. Inventory is stated at the lower of cost, determined on a first-in, first-out (FIFO) basis, or market (net realizable value).

Long-lived Assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management’s estimate of the recoverability of these assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation

It is the Ministry's policy to capitalize all property and equipment over $2,000. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and changes in net assets for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Buildings and improvements are generally depreciated over seven to 40 years. Equipment and furniture are depreciated over three to ten years. Vehicles are depreciated over five years. Website development costs are amortized over a period of three to seven years.

Accrued Absences

Employees of the Ministry are entitled to paid time off including vacation, sick days, and personal days off, depending on job classification, length of service, and other factors. The Ministry's policy is to recognize the costs of compensated absences when earned. Accrued compensated absences are included with accrued expenses on the accompanying statements of financial position and totaled $110,949 and $107,933 at December 31, 2017 and 2016, respectively.

Income Taxes

The Ministry is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation.

Functional Allocation of Expenses

The costs of providing various program services and supporting activities of the Ministry have been summarized on a functional basis. Accordingly, certain expenses have been allocated among program (counseling and outreach), management and general, and fundraising expenses.

Program expenses consist of the activities that promote the Ministry's vision, including the operation of the residential program, counseling services, Christian education, outreach initiatives, publication and media that supports the Ministry's mission and other activities that fulfill the purpose for which the Ministry exists.

Management and general expenses include oversight, business management and finance activities. These expenses are not identifiable with program or fundraising activities, but are indispensable in conducting those activities and to the Ministry's existence.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

Fundraising expenses relate to those activities that promote the growth of contributions, gifts, grants, etc., including conducting fundraising campaigns and events, maintaining donor information, distributing fundraising materials and conducting other fundraising activities.

The Ministry's policy is to report all joint costs not specifically attributable to particular components of the activities, as allocated among program, fundraising and management and general expenses.

The Ministry donates ten percent of its unrestricted cash contributions as a tithe to other organizations or individuals that are involved in activities aligned with the Ministry's mission and vision.

Adoption of Accounting Standard Update 2016-08

The Ministry adopted Accounting Standards Update ("ASU") 2016-08 Statement of Cash Flows – Restricted Cash as of January 1, 2017. Under the newly adopted update, the Statements of Cash Flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This update requires a retrospective adjustment, and the restricted cash should be included with cash on the Statements of Cash Flows.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 3 - RESTATEMENT

The December 31, 2016 balance of contribution receivable for facility use and temporarily restricted net assets have been increased by $61,875 from that which was previously reported to properly reflect the value of the Ministry's contributions receivable related to the in-kind contributions on its Lincoln, California lease.

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment, net of accumulated depreciation and amortization, by location as of December 31 is as follows:

	2017	2016
St. Louis, Missouri home	$ 2,112,206	$ 2,168,203
Nashville, Tennessee corporate offices	1,254,387	1,321,990
Nashville, Tennessee home	834,916	850,160
Destin, Florida (undeveloped land)	1,040,525	1,040,525
Destin, Florida – development costs	82,160	14,010
Lincoln, California home	11,840	23,772
Monroe, Louisiana home	80,361	110,853
	$ 5,416,395	$ 5,529,513

The Ministry is leasing the Lincoln, California home from a third party (Note 9).

NOTE 5 - LAND HELD FOR SALE

Land held for sale of $2,003,323 consists of approximately 8 acres of an 11.75 acre plot of undeveloped land in Florida. The remainder of the land is to be used for a future residential facility and is included in property and equipment.

NOTE 6 - NOTE PAYABLE

Note payable consists of the following as of December 31:

	2017	2016
Note payable to a bank, requiring monthly principal and interest payments of $12,664 at an annual interest rate of 4.25% with all principal due March 11, 2020. The note is secured by the undeveloped and held for sale Florida land.	$ 751,187	$ 858,929
Less current portion	(122,002)	(117,293)
Note payable, excluding current portion	$ 629,185	$ 741,636

Annual principal maturities of the note payable are as follows:

Year ending December 31,

2018	$ 122,002
2019	127,364
2020	501,821
	$ 751,187

NOTE 7 - CONCENTRATIONS

The Ministry has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately $1,320,000 and $868,000 at December 31, 2017 and 2016, respectively. The Ministry maintains its cash with a high quality financial institution which the Ministry believes limits these risks.

NOTE 8 - JOINT COSTS

During the year ended December 31, 2017 and 2016, the Ministry incurred joint costs of $222,457 and $231,978, respectively, for special events that included both educational outreach activities and fundraising appeals. The Organization allocated $129,025 and $134,472, respectively, to program services, and $93,432 and $97,506, respectively, to fundraising.

NOTE 9 - LEASE COMMITMENTS AND RENT EXPENSE

The Ministry has entered into various operating leases for office equipment. As of December 31, 2017, all of these leases are on a month-to-month basis.

The Ministry leases a residential facility in Lincoln, California under an operating lease through March 31, 2018 at which time the lease term automatically renews for two successive one-year terms. The lease payment, $3,000 per month, is considered a below market rental rate. For this lease, the Ministry has included on the statements of activities and changes in net assets an in-kind rent donation of $434,076 and expense of $387,432 for 2017 and an in-kind rent donation and expense of $288,000 for 2016. Additionally, the property taxes for this facility are also donated which totaled $41,880 and $40,500 and accordingly are included as an additional in-kind donations. The contribution receivable for facility use consists of the difference between the fair rental value of the property and the stated amount of the lease payments for the remaining one year’s lease agreement period.

Rental expense was $479,981 and $337,109 for the years ended December 31, 2017 and 2016, respectively.

NOTE 10 - CONTINGENT LIABILITIES

In 2001, a not-for-profit entity contributed land with a value of approximately $790,000 on which the St. Louis facility was constructed. The deed to this land contains certain restrictions which require the property to revert to the contributing not-for-profit entity if the following restrictions are not met:

- The Ministry shall remain a Christian-based residential facility for young women struggling with life-controlling issues.
- The Founder of the Ministry shall be the President of Mercy Multiplied International, Inc. (“MMI”) and the Ministry shall continue to be affiliated with MMI.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following at December 31:

	2017	2016
Nashville kitchen remodel	$ 231,444	$ -
Lincoln in-kind lease	108,519	61,875
Development of Florida home	57,415	-
Christmas funds	49,704	32,831
Scholarship fund	6,000	-
Information technology equipment	3,915	-
Development of potential Los Angeles home	2,849	2,849
Resident database	1,700	1,900
Residents	791	2,237
Bibles	619	290
Nashville home education	292	569
St. Louis home furnishings	258	258
Development of potential Houston home	20	20
Monroe home furnishings and equipment	-	9,782
Transitional care	-	6,000
Nashville home equipment	-	4,030
Baby showers	-	456
Outreach	-	25
	$ 463,526	$ 123,122

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions included the following for the year ended December 31:

	2017	2016
Lincoln in-kind lease	$ 387,432	$ 247,500
Home operations	73,746	106,653
Christmas funds	73,395	89,689
Florida home	68,150	374,395
Nashville kitchen remodel	48,516	-
Transitional care	34,354	80,103
Information technology equipment	23,585	-
Outreach	15,725	12,000
Monroe home furnishings and equipment	10,343	1,500
Nashville home equipment/furnishings	6,470	970
Residents	1,988	3,052
Baby showers	456	-
Graduation rings	295	175
Bibles	271	510
Resident database	200	6,100
Lincoln home outing	-	1,210
St. Louis home equipment	-	400
Nashville home education	277	180
	$ 745,203	$ 924,437

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent donations received for the Ministry's working capital fund. The intent of this fund is to allow the Ministry to have a permanent source of short term capital that eliminates the need for a line of credit. Accordingly, the Ministry uses these funds throughout the year when there are fluctuations in cash flow. The Ministry replenishes the cash balance when cash flow is available. Given the permanent nature of this arrangement, the ministry maintains this cash balance in a separate bank account and these funds are segregated on the statements of financial position as a noncurrent asset.

NOTE 14 - RELATED PARTY TRANSACTIONS

MMI was created as a separate not-for-profit organization, maintaining a separate board of directors and organizational structure from the Ministry. MMI is not reported on a consolidated basis with the Ministry.

The Ministry maintains a close working relationship with MMI with which it shares equipment, office facilities, supplies, personnel and shares some common members on their boards of directors. Contributions made to MMI totaled $359,790 and $369,381 in 2017 and 2016, respectively which includes cash contributions and reimbursement of expenses. Included in these contributions are administrative related fees charged to MMI totaling $76,515 and $83,565 in 2017 and 2016, respectively.

Consistent with historical giving, the Ministry made donations totaling $25,000 and $50,000 in 2017 and 2016, respectively to another Christian ministry for which a member of the MMI board of directors is employed.

The Ministry made donations to one of the other Mercy Multiplied affiliates totaling $50,500 and $10,000 in 2017 and 2016, respectively.

NOTE 15 - EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through April 17, 2018 which is the date the financial statements were available to be issued.

NOTE 16 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS STATEMENTS INFORMATION

	2017	2016
Interest paid	$ 31,561	$ 39,841

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, that is intended to improve financial reporting relating to liquidity, financial performance and cash flows.

More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one “without donor-imposed restrictions” and one “with donor-imposed restrictions,” which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flow statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization’s liquidity.

The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Ministry is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.