

**MERCY MULTIPLIED AMERICA, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-16



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), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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 from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2019 and 2018, 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.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC". The signature is written in a cursive, flowing style.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
May 19, 2020

MERCY MULTIPLIED AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS		
	2019	2018
Current assets		
Cash	\$ 155,829	\$ 815,548
Contributions receivable	134,709	121,537
Contribution receivable - facility use	108,519	108,519
Other receivables	2,073	826
Note receivable	45,000	-
Inventory	43,802	49,752
Prepaid expenses	39,051	51,584
Other current assets	1,275	25,055
	530,258	1,172,821
Cash - designated or restricted for long term purposes	1,206,659	1,178,055
Property and equipment, net	6,012,489	5,806,712
Land held for sale	2,003,323	2,003,323
	\$ 9,752,729	\$ 10,160,911
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 29,095	\$ 74,777
Accrued expenses	536,853	363,012
Current portion of capital lease obligation	7,660	7,108
Current portion of note payable	212,846	134,092
	786,454	578,989
Total current liabilities	786,454	578,989
Capital lease obligation, net of current portion	6,503	14,778
Note payable, net of current portion	87,596	346,100
	880,553	939,867
Total Liabilities	880,553	939,867
Net Assets		
Without donor restrictions	7,746,893	8,148,427
With donor restrictions	1,125,283	1,072,617
	8,872,176	9,221,044
Total Net Assets	8,872,176	9,221,044
Total Liabilities and Net Assets	\$ 9,752,729	\$ 10,160,911

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

MERCY MULTIPLIED AMERICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 7,111,248	\$ 918,393	\$ 8,029,641
Special events	543,137	-	543,137
In-kind donations	107,590	475,956	583,546
Resource sales	81,285	-	81,285
Adoption application fees	1,575	-	1,575
Other income	30,046	-	30,046
	<hr/>	<hr/>	<hr/>
Total Support and Revenues	7,874,881	1,394,349	9,269,230
Net assets released from restrictions	<hr/>	<hr/>	<hr/>
	1,341,683	(1,341,683)	-
	<hr/>	<hr/>	<hr/>
Total Support, Revenues and Reclassifications	9,216,564	52,666	9,269,230
Functional Expenses			
Counseling and outreach	8,376,178	-	8,376,178
Management and general	645,002	-	645,002
Fundraising	596,918	-	596,918
	<hr/>	<hr/>	<hr/>
Total Functional Expenses	9,618,098	-	9,618,098
(Decrease) increase in net assets	(401,534)	52,666	(348,868)
Net assets - beginning of year	<hr/>	<hr/>	<hr/>
	8,148,427	1,072,617	9,221,044
Net assets - end of year	<hr/>	<hr/>	<hr/>
	\$ 7,746,893	\$ 1,125,283	\$ 8,872,176

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

MERCY MULTIPLIED AMERICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 7,972,646	\$ 796,706	\$ 8,769,352
Special events	659,569	-	659,569
In-kind donations	77,152	475,956	553,108
Resource sales	50,570	-	50,570
Adoption application fees	1,650	-	1,650
Other income	61,045	-	61,045
	<hr/>	<hr/>	<hr/>
Total Support and Revenues	8,822,632	1,272,662	10,095,294
Net assets released from restrictions	<hr/>	<hr/>	<hr/>
	1,213,571	(1,213,571)	-
	<hr/>	<hr/>	<hr/>
Total Support, Revenues and Reclassifications	10,036,203	59,091	10,095,294
Functional Expenses			
Counseling and outreach	7,985,438	-	7,985,438
Management and general	610,129	-	610,129
Fundraising	552,524	-	552,524
	<hr/>	<hr/>	<hr/>
Total Functional Expenses	9,148,091	-	9,148,091
Increase in net assets	888,112	59,091	947,203
Net assets - beginning of year	<hr/>	<hr/>	<hr/>
	7,260,315	1,013,526	8,273,841
Net assets - end of year	<hr/>	<hr/>	<hr/>
	\$ 8,148,427	\$ 1,072,617	\$ 9,221,044

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

MERCY MULTIPLIED AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services		Supporting Services		Total
	Counseling and Outreach	Management and General	Fundraising		
Salaries	\$ 3,996,387	\$ 351,590	\$ 306,278	\$ 4,654,255	
Benefits	576,892	53,265	46,401	676,558	
Contract labor	28,135	5,820	400	34,355	
Total salaries and related expenses	4,601,414	410,675	353,079	5,365,168	
Tithe	773,519	-	-	773,519	
Room and board	522,405	-	-	522,405	
Occupancy	513,081	5,494	-	518,575	
Contributions to MMI	453,224	-	-	453,224	
Utilities	184,217	7,512	6,544	198,273	
Special events	101,046	-	93,601	194,647	
Repairs and maintenance	153,079	7,910	5,565	166,554	
Marketing and public relations	76,263	-	76,263	152,526	
Professional fees	82,239	31,472	12,082	125,793	
Insurance	102,393	9,454	8,236	120,083	
Travel, conferences and meetings	91,719	11,465	11,465	114,649	
IT outsourcing	82,096	15,326	5,109	102,531	
Computer and equipment	70,755	6,533	5,691	82,979	
Contribution processing charges	-	73,793	-	73,793	
New hire and staff development	51,281	4,735	4,125	60,141	
Telephone	37,623	3,689	3,213	44,525	
Automobile	32,197	3,577	-	35,774	
Cost of resources sold	34,915	-	-	34,915	
Postage	12,221	2,037	6,110	20,368	
Interest	-	19,010	-	19,010	
Miscellaneous	9,063	7,397	369	16,829	
Office	13,445	1,242	1,081	15,768	
Florida property tax	-	10,526	-	10,526	
Total expenses before depreciation and amortization	7,998,195	631,847	592,533	9,222,575	
Depreciation and amortization	377,983	13,155	4,385	395,523	
Total expenses	\$ 8,376,178	\$ 645,002	\$ 596,918	\$ 9,618,098	

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

MERCY MULTIPLIED AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services		Supporting Services		Total
	Counseling and Outreach	Management and General	Fundraising		
Salaries	\$ 3,755,373	\$ 321,382	\$ 292,041	\$ 4,368,796	
Benefits	510,441	43,683	39,695	593,819	
Contract labor	18,319	-	1,617	19,936	
Total salaries and related expenses	4,284,133	365,065	333,353	4,982,551	
Tithe	827,491	-	-	827,491	
Room and board	435,379	-	-	435,379	
Occupancy	513,107	5,584	-	518,691	
Contributions to MMI	491,693	-	-	491,693	
Utilities	204,917	3,349	3,044	211,310	
Special events	111,976	-	99,309	211,285	
Repairs and maintenance	146,985	17,617	11,394	175,996	
Marketing and public relations	49,912	-	49,912	99,824	
Professional fees	86,230	23,209	5,409	114,848	
Insurance	115,403	9,876	8,974	134,253	
Travel, conferences and meetings	79,109	9,889	9,889	98,887	
IT outsourcing	80,574	15,010	5,003	100,587	
Computer and equipment	62,656	5,452	4,955	73,063	
Contribution processing charges	-	72,282	-	72,282	
New hire and staff development	39,686	3,396	3,086	46,168	
Telephone	40,116	3,433	3,120	46,669	
Automobile	31,826	3,536	-	35,362	
Cost of resources sold	22,772	-	-	22,772	
Postage	11,724	1,954	5,862	19,540	
Interest	-	26,515	-	26,515	
Miscellaneous	22,846	40,788	6,384	70,018	
Office	21,619	1,850	1,681	25,150	
Total expenses before depreciation and amortization	7,680,154	608,805	551,375	8,840,334	
Depreciation and amortization	305,284	1,324	1,149	307,757	
Total expenses	\$ 7,985,438	\$ 610,129	\$ 552,524	\$ 9,148,091	

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

MERCY MULTIPLIED AMERICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (348,868)	\$ 947,203
Adjustments to reconcile (decrease) increase in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	395,523	307,757
Loss on disposal of property and equipment	2,368	-
Cash contributions for property and equipment	(634,500)	(329,275)
Decrease (increase) in		
Contributions receivable	(13,172)	51,722
Other receivables	(1,247)	26,999
Inventory	5,950	(4,061)
Prepaid expenses	12,533	(14,521)
Other current assets	23,780	(19,545)
Increase (decrease) in		
Accounts payable	(45,682)	31,817
Accrued expenses	173,841	15,401
	<u>(429,474)</u>	<u>1,013,497</u>
Net cash (used) provided by operating activities		
Cash flows from investing activities		
Issuance of note receivable	(45,000)	-
Purchases of property and equipment	(603,668)	(672,656)
	<u>(648,668)</u>	<u>(672,656)</u>
Net cash used by investing activities		
Cash flows from financing activities		
Cash contributions for property and equipment	634,500	329,275
Payments on capital leases	(7,723)	(3,532)
Payments on notes payable	(179,750)	(270,995)
	<u>447,027</u>	<u>54,748</u>
Net cash provided by financing activities		
Net (decrease) increase in cash	(631,115)	395,589
Cash - beginning of year	1,993,603	1,598,014
Cash - end of year	<u>\$ 1,362,488</u>	<u>\$ 1,993,603</u>
Reconciliation of cash to statements of financial position		
Cash	\$ 155,829	\$ 815,548
Cash - designated or restricted for long term purposes	1,206,659	1,178,055
	<u>\$ 1,362,488</u>	<u>\$ 1,993,603</u>

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

MERCY MULTIPLIED AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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 32 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 Mercy homes in California, Louisiana, Missouri and Tennessee.

In addition to its residential program, the Ministry offers outreach programs and resources built 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 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"). MMI is the 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. 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 financial statements of the Ministry have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require the Ministry to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Ministry. These net assets may be used at the discretion of the Ministry's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Ministry or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

MERCY MULTIPLIED AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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 revenues with donor restrictions 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.

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 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.

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 revenues without donor restrictions unless the donor has restricted the donated asset to a specific purpose or for a specific time period. 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 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 forty years. Equipment and furniture are depreciated over three to ten years. Vehicles are depreciated over five years. Website, software and database 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 \$138,352 and \$122,633 at December 31, 2019 and 2018, respectively.

Income Taxes

The Ministry is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

MERCY MULTIPLIED AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are 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 statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing various program and supporting services 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. Expenses requiring allocation on the statements of functional expenses are allocated based on management's estimate of time and effort spent.

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.

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, management and general, and fundraising 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Ministry's financial assets at December 31:

	2019	2018
Financial assets at year end:		
Cash	\$ 1,362,488	\$ 1,993,603
Contributions receivable	134,709	121,537
Other receivables	2,073	826
Note receivable	<u>45,000</u>	<u>-</u>
Total financial assets	1,544,270	2,115,966

MERCY MULTIPLIED AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - AVAILABILITY AND LIQUIDITY (CONTINUED)

	2019	2018
Less amounts not available to be used within one year:		
Cash permanently restricted for working capital (see Note 13)	\$ 550,000	\$ 550,000
Cash with donor restrictions for long term purposes	392,120	336,828
Cash designated for working capital	100,000	100,000
Cash designated for future maintenance	<u>164,539</u>	<u>191,227</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 337,611</u>	<u>\$ 937,911</u>

As part of its liquidity plan, the Ministry has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As further described in Note 13, the Ministry has a working capital fund consisting of permanently restricted donations and of internally designated operating surplus which represents additional funds available to cover fluctuations in liquidity. The Ministry receives year-round donations from supporters and makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management and the board of directors.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2019	2018
Land - developed	\$ 1,001,281	\$ 1,001,281
Land - Destin, Florida - undeveloped	1,040,525	1,040,525
Development costs - Destin, Florida	175,885	164,760
Buildings and improvements	7,351,700	7,115,587
Equipment and furnishings	1,951,095	2,249,275
Vehicles	298,407	276,584
Website, software and database	<u>91,523</u>	<u>76,873</u>
	11,910,416	11,924,885
Less accumulated depreciation	<u>(5,897,927)</u>	<u>(6,118,173)</u>
Property and equipment, net	<u>\$ 6,012,489</u>	<u>\$ 5,806,712</u>

Depreciation and amortization expense was \$395,523 and \$307,757 for 2019 and 2018, respectively.

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 (see Note 4).

MERCY MULTIPLIED AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6 - NOTE PAYABLE

Note payable consists of the following as of December 31:

	2019	2018
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.	\$ 300,442	\$ 480,192
Less current portion	<u>(212,846)</u>	<u>(134,092)</u>
Note payable, excluding current portion	<u>\$ 87,596</u>	<u>\$ 346,100</u>

In February 2020, the note was renewed and extended with changes in terms which, beginning April 11, 2020, requires a monthly principal and interest payment of \$11,276 at an annual fixed rate of 3.75% with maturity on September 11, 2021. Also, the Florida land was removed as the collateral for the note and was replaced by a certificate of deposit as security.

Based on the balance remaining at the subsequent refinancing, the annual principal maturities of the note payable are as follows:

Year ending December 31,		
2020	\$ 212,846	
2021	<u>87,596</u>	
	<u>\$ 300,442</u>	

NOTE 7 - CONCENTRATIONS

The Ministry has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$1,031,000 and \$1,727,000 at December 31, 2019 and 2018, 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, 2019 and 2018, the Ministry incurred joint costs of \$194,647 and \$211,285, respectively, for special events that included both educational outreach activities and fundraising appeals. The Organization allocated \$101,046 and \$111,976, respectively, to program services, and \$93,601 and \$99,309, respectively, to fundraising.

NOTE 9 - LEASE COMMITMENTS AND RENT EXPENSE

The Ministry leases a residential facility in Sacramento, California under an operating lease through March 31, 2018 at which time the lease term automatically renewed for two successive one-year terms until March 31, 2020. The lease has not yet been formally renewed, the lease is continuing on a month to month basis in 2020 until a new lease agreement is executed. 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 an in-kind rent donation with donor restrictions and expense of \$434,076 for both 2019 and 2018. Additionally, the property taxes for this facility are also donated which totaled \$41,880 for 2019 and 2018 and accordingly are included as an additional in-kind donation with donor restrictions. 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.

MERCY MULTIPLIED AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9 - LEASE COMMITMENTS AND RENT EXPENSE (CONTINUED)

The Ministry has entered into various operating leases for office copiers and a capital lease for computer equipment. A schedule of future minimum lease payments required under leases as of December 31, 2019 follows:

Year ending December 31,	Capital Lease	Operating Leases
2020	\$ 8,400	\$ 12,516
2021	7,385	12,516
2022	<u>-</u>	<u>3,129</u>
Total minimum lease payments	15,785	<u>\$ 28,161</u>
Less: interest	<u>(1,622)</u>	
Present value of minimum lease payments	<u>\$ 14,163</u>	

Rental expense was \$494,426 and \$492,734 for the years ended December 31, 2019 and 2018, 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 MMI and the Ministry shall continue to be affiliated with MMI.

NOTE 11 - RETIREMENT PLAN

On January 1, 2019, the Ministry adopted a 401(k) retirement plan for its employees which allows the Ministry to make discretionary, matching contributions on behalf of the participating employees. The expense totaled \$67,016 for the year and the amount accrued but not yet paid totaled \$63,923 for the year ended December 31, 2019.

NOTE 12 - IN-KIND CONTRIBUTIONS

The following in-kind contributions have been included in revenues and expenses/assets in the financial statements for the years ended December 31:

	2019	2018
Contributions with donor restrictions/expenses		
Sacramento facility rent	\$ 434,076	\$ 434,076
Sacramento property taxes	41,880	41,880
Contributions without donor restrictions/expenses or assets		
Household supplies	54,372	32,553
Property and equipment	28,879	-
Professional services	14,514	16,442
Special events	<u>9,825</u>	<u>28,157</u>
	<u>\$ 583,546</u>	<u>\$ 553,108</u>

MERCY MULTIPLIED AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 - NET ASSETS

Net assets without donor restrictions consist of the following at December 31:

	2019	2018
Undesignated net assets without donor restrictions	\$ 7,482,354	\$ 7,857,200
Designated net assets		
Maintenance	164,539	191,227
Working capital	<u>100,000</u>	<u>100,000</u>
	<u>\$ 7,746,893</u>	<u>\$ 8,148,427</u>

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	2019	2018
Time and purpose restrictions		
Development of Florida home	\$ 358,269	\$ 162,822
Sacramento in-kind lease	108,519	108,519
Christmas funds	54,344	55,610
Information technology equipment	24,446	17,214
Scholarship fund	6,000	6,000
Sacramento equipment	5,405	10,811
Leadership training	5,315	3,172
Staffing program	4,201	8,750
Home projects	4,000	-
Adoption department	2,005	-
Residents	1,267	782
Resident database	700	700
Bibles	458	1,219
Monroe staff	200	-
Accounting system	154	1,562
Nashville bathroom remodel	-	145,281
Nashville furnishings	<u>-</u>	<u>175</u>
	575,283	522,617
Held in perpetuity, income is expendable		
Working capital fund	<u>550,000</u>	<u>550,000</u>
Total net assets with donor restrictions	<u>\$ 1,125,283</u>	<u>\$ 1,072,617</u>

The working capital fund held in perpetuity represents 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 reconciles this cash balance monthly and segregates these funds on the statements of financial position as a portion of the cash designated or restricted for long term purposes.

MERCY MULTIPLIED AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 - NET ASSETS (CONTINUED)

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

	2019	2018
Sacramento in-kind lease	\$ 434,076	\$ 434,076
Nashville bathroom renovation	394,381	11,719
Christmas funds	96,005	72,285
Information technology equipment	85,768	26,701
Nashville bedrooms	77,086	-
Home operations	76,823	102,284
Sacramento home furnishings and equipment	61,025	6,289
Sacramento property taxes	41,880	41,880
Florida home	41,325	130,469
Leadership training	19,957	6,828
New staffing program	4,549	1,250
Educational scholarship fund	3,000	6,000
Monroe home furnishings and equipment	2,000	-
Bibles	1,468	-
Accounting system	1,408	11,138
Residents	587	665
Adoption department	345	-
Nashville kitchen remodel	-	182,837
Home projects	-	71,684
St. Louis home furnishings	-	45,258
Nashville phone system	-	40,000
Monroe kitchen remodel	-	15,000
Transitional care	-	5,916
Resident database	-	1,000
Nashville home education	-	292
	<u>\$ 1,341,683</u>	<u>\$ 1,213,571</u>

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 some common members on their boards of directors. Contributions made to MMI totaled \$453,224 and \$491,693 in 2019 and 2018, respectively which includes cash contributions and reimbursement of expenses. Included in these contributions are administrative related fees charged to MMI totaling \$98,196 and \$77,616 in 2019 and 2018, respectively.

The Ministry made donations to one of the other MMI affiliates totaling \$53,000 and \$47,500 2019 and 2018, respectively.

In October 2019, the Ministry made available a line of credit to MMI of \$75,000 to assist with the funding of the note receivable made available to one of the other affiliates, Mercy Canada. The balance at December 31, 2019 was \$45,000 and carries an interest rate of 6%. The note is due within 30 days of the collection of the Mercy Canada note receivable.

MERCY MULTIPLIED AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 15 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS STATEMENTS INFORMATION

	Year ending December 31,	
	2019	2018
Cash paid for interest during the year	<u>\$ 19,010</u>	<u>\$ 26,515</u>

NOTE 16 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2020. The Ministry's adoption of the new standard in 2021 will require quantitative and qualitative financial statements disclosures regarding the Ministry's lease arrangements and balance sheet presentation of right of use assets and lease liabilities representative of the Ministry's discounted future lease payments. The Ministry is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.

NOTE 17 - EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through May 19, 2020 which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Ministry operates. It is unknown how long these conditions will last and what the financial impact will be to the Ministry.

The Ministry filed for assistance under the CARES Act, Paycheck Protection Program and received a relief loan totaling \$980,158 in April 2020. The Ministry plans to apply for forgiveness of the relief loan in the second half of 2020.

The acceptance of these Paycheck Protection Program funds has placed no restrictions on the Ministry carrying out its mission.