

Mercy Multiplied America, Inc.

Financial Statements
For the Years Ended December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Mercy Multiplied America, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Mercy Multiplied America, Inc. (a Tennessee not-for-profit corporation, which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

Auditor's 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 auditor's 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, 2020 and 2019, and the results of its operations 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 4, 2021

Mercy Multiplied America, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash	\$ 1,242,627	\$ 155,829
Contributions receivable	162,522	134,709
Contribution receivable, facility use	-	108,519
Other receivables	1,889	2,073
Note receivable	-	45,000
Inventory	33,969	43,802
Prepaid expenses	38,784	39,051
Other current assets	2,930	1,275
Total current assets	1,482,721	530,258
Cash, designated or restricted for long term purposes	897,737	1,206,659
Certificate of deposit, designated for long term purposes	196,696	-
Property and equipment, net	5,907,291	6,012,489
Land held for sale	2,003,323	2,003,323
Total assets	\$ 10,487,768	\$ 9,752,729
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 60,949	\$ 29,095
Accrued expenses	293,519	536,853
Current portion of capital lease obligation	-	7,660
Current portion of note payable	-	212,846
Total current liabilities	354,468	786,454
Capital lease obligation, net of current portion	-	6,503
Note payable, net of current portion	-	87,596
Total liabilities	354,468	880,553
Net assets		
Without donor restrictions	9,251,435	7,746,893
With donor restrictions	881,865	1,125,283
Total net assets	10,133,300	8,872,176
Total liabilities and net assets	\$ 10,487,768	\$ 9,752,729

Mercy Multiplied America, Inc.
Statement of Activities
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions	\$ 7,494,028	\$ 1,307,232	\$ 8,801,260
Special events	326,194	-	326,194
In-kind donations	13,408	367,437	380,845
Resource sales	53,518	-	53,518
Adoption application fees	875	-	875
Other income	29,911	-	29,911
Net assets released from restrictions	<u>1,918,087</u>	<u>(1,918,087)</u>	<u>-</u>
Total support and revenues	9,836,021	(243,418)	9,592,603
Expenses			
Program	7,232,342	-	7,232,342
Management and general	644,318	-	644,318
Fundraising	<u>454,819</u>	<u>-</u>	<u>454,819</u>
Total expenses	8,331,479	-	8,331,479
Change in net assets	\$ 1,504,542	\$ (243,418)	\$ 1,261,124
Net assets, beginning of year	<u>7,746,893</u>	<u>1,125,283</u>	<u>8,872,176</u>
Net assets, end of year	\$ 9,251,435	\$ 881,865	\$ 10,133,300

Mercy Multiplied America, Inc.
Statement of Activities
For the 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
Net assets released from restrictions	<u>1,341,683</u>	<u>(1,341,683)</u>	<u>-</u>
Total support and revenues	9,216,564	52,666	9,269,230
Expenses			
Program	8,376,178	-	8,376,178
Management and general	645,002	-	645,002
Fundraising	<u>596,918</u>	<u>-</u>	<u>596,918</u>
Total expenses	9,618,098	-	9,618,098
Change in net assets	\$ (401,534)	\$ 52,666	\$ (348,868)
Net assets, beginning of year	<u>8,148,427</u>	<u>1,072,617</u>	<u>9,221,044</u>
Net assets, end of year	\$ 7,746,893	\$ 1,125,283	\$ 8,872,176

Mercy Multiplied America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program services	Management and general	Fundraising	Total
Salaries and Related Expenses				
Salaries	\$ 3,629,969	\$ 346,888	\$ 284,670	\$ 4,261,527
Benefits	491,691	46,987	38,560	577,238
Contract labor	<u>31,251</u>	<u>1,469</u>	<u>1,206</u>	<u>33,926</u>
Total salaries and related expenses	4,152,911	395,344	324,436	4,872,691
Non-salary Related Expenses				
Automobile	12,913	1,435	-	14,348
Computer and equipment	50,137	4,791	3,932	58,860
Contribution processing charges	-	91,491	-	91,491
Contributions to MMI	248,682	-	-	248,682
Cost of resources sold	20,802	-	-	20,802
Florida property tax	-	11,159	-	11,159
Insurance	105,414	10,074	8,267	123,755
Interest	-	16,084	-	16,084
IT outsourcing	85,174	15,901	5,301	106,376
Marketing and public relations	49,723	-	49,723	99,446
New hire and staff development	31,864	3,045	2,499	37,408
Occupancy	513,974	5,503	-	519,477
Office	11,362	1,086	891	13,339
Postage	8,915	1,486	4,457	14,858
Professional fees	86,798	33,216	12,751	132,765
Repairs and maintenance	132,337	9,110	6,408	147,855
Room and board	362,237	-	-	362,237
Special events	11,666	-	11,666	23,332
Telephone	45,333	3,981	3,468	52,782
Tithe	697,934	-	-	697,934
Travel, conferences, and meetings	36,439	4,555	4,555	45,549
Utilities	166,852	13,072	11,387	191,311
Miscellaneous	<u>8,682</u>	<u>9,335</u>	<u>528</u>	<u>18,545</u>
Total expenses before depreciation and amortization	6,840,149	630,668	450,269	7,921,086
Depreciation and amortization	<u>392,193</u>	<u>13,650</u>	<u>4,550</u>	<u>410,393</u>
Total expenses	\$ 7,232,342	\$ 644,318	\$ 454,819	\$ 8,331,479

Mercy Multiplied America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program services	Management and general	Fundraising	Total
Salaries and Related Expenses				
Salaries	\$ 3,996,387	\$ 351,590	\$ 306,278	\$ 4,654,255
Benefits	576,892	53,265	46,401	676,558
Contract labor	<u>28,135</u>	<u>5,820</u>	<u>400</u>	<u>34,355</u>
Total salaries and related expenses	4,601,414	410,675	353,079	5,365,168
Non-salary Related Expenses				
Automobile	32,197	3,577	-	35,774
Computer and equipment	70,755	6,533	5,691	82,979
Contribution processing charges	-	73,793	-	73,793
Contributions to MMI	453,224	-	-	453,224
Cost of resources sold	34,915	-	-	34,915
Florida property tax	-	10,526	-	10,526
Insurance	102,393	9,454	8,236	120,083
Interest	-	19,010	-	19,010
IT outsourcing	82,096	15,326	5,109	102,531
Marketing and public relations	76,264	-	76,263	152,527
New hire and staff development	51,280	4,735	4,125	60,140
Occupancy	513,081	5,494	-	518,575
Office	13,445	1,242	1,081	15,768
Postage	12,221	2,037	6,110	20,368
Professional fees	82,239	31,472	12,082	125,793
Repairs and maintenance	153,079	7,910	5,565	166,554
Room and board	522,405	-	-	522,405
Special events	101,046	-	93,601	194,647
Telephone	37,623	3,689	3,213	44,525
Tithe	773,519	-	-	773,519
Travel, conferences, and meetings	91,719	11,465	11,465	114,649
Utilities	184,217	7,512	6,544	198,273
Miscellaneous	<u>9,063</u>	<u>7,397</u>	<u>369</u>	<u>16,829</u>
Total expenses before depreciation and amortization	7,998,195	631,847	592,533	9,222,575
Depreciation and amortization	<u>377,983</u>	<u>13,155</u>	<u>4,385</u>	<u>395,523</u>
Total expenses	\$ 8,376,178	\$ 645,002	\$ 596,918	\$ 9,618,098

Mercy Multiplied America, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash, beginning of year	\$ 1,362,488	\$ 1,993,603
Cash flows from operating activities		
Change in net assets	1,261,124	(348,868)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Loss on disposal of property and equipment	-	2,368
Cash contributions for property and equipment	(261,719)	(634,500)
Depreciation	410,393	395,523
Change in:		
Contributions receivable	(27,813)	(13,172)
Contribution receivable, facility use	108,519	-
Other receivables	184	(1,247)
Inventory	9,833	5,950
Prepaid expenses	267	12,533
Other current assets	(1,655)	23,780
Accounts payable	31,854	(45,682)
Accrued expenses	(243,334)	173,841
Net cash provided (used) by operating activities	<u>1,287,653</u>	<u>(429,474)</u>
Cash flows from investing activities		
Payoff (issuance) of note receivable	45,000	(45,000)
Purchase of certificate of deposit	(196,696)	-
Purchases of property and equipment	(305,195)	(603,668)
Net cash provided (used) by investing activities	<u>(456,891)</u>	<u>(648,668)</u>
Cash flows from financing activities		
Cash contributions for property and equipment	261,719	634,500
Payments on capital leases	(14,163)	(7,723)
Payments on notes payable	(300,442)	(179,750)
Net cash provided (used) by financing activities	<u>(52,886)</u>	<u>447,027</u>
Net change in cash	<u>777,876</u>	<u>(631,115)</u>
Cash, end of year	\$ 2,140,364	\$ 1,362,488
Reconciliation of cash to statements of financial position		
Cash	\$ 1,242,627	\$ 155,829
Cash, designated or restricted for long term purposes	<u>897,737</u>	<u>1,206,659</u>
	\$ 2,140,364	\$ 1,362,488

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

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 three ways: residential counseling programs, outpatient counseling services, and outreach programs and resources.

The Ministry's residential counseling program is voluntary, biblically-based, and helps young women ages 13–32 break free from life-controlling issues and situations, including anxiety, depression, abuse, eating disorders, self-harm, addictions, unplanned pregnancy, and sex trafficking. These residential services are offered free-of-charge. The Ministry currently operates Mercy homes in California, Missouri, and Tennessee. In September 2020, Mercy Multiplied launched its first Mercy Multiplied Center for Wellness and Counseling in West Monroe, LA, offering free-of-charge outpatient counseling to women aged 13 and older. The Ministry's outreach services train and resource men and women to effectively support and minister to those who are hurting and struggling through workshops, videos, podcasts, discipleship teaching, and other practical resources.

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 by 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.

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, whereby the donor has stipulated the funds be maintained in perpetuity.

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

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 pledges 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 basis, or net realizable value.

Property and Equipment and Depreciation

The Ministry's policy is 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.

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.

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 \$96,336 and \$138,352 at December 31, 2020 and 2019, 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
For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. The Ministry received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Ministry has elected to treat the PPP loan as a conditional contribution.

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 10% 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.

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 3. Availability and Liquidity

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

	2020	2019
Financial assets		
Cash	\$ 2,140,364	\$ 1,362,488
Contributions receivable	162,522	134,709
Other receivables	1,889	2,073
Note receivable	<u>-</u>	<u>45,000</u>
Total financial assets at year-end	2,304,775	1,544,270
Less amounts not available to be used within one year:		
Cash permanently restricted for working capital (see Note 14)	(550,000)	(550,000)
Cash with donor restrictions for long-term purposes	(126,359)	(392,120)
Cash designated for working capital	(100,000)	(100,000)
Cash designated for future maintenance	<u>(121,378)</u>	<u>(164,539)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,407,038	\$ 337,611

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. Concentrations

The Ministry has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$1,705,000 and \$1,031,000 at December 31, 2020 and 2019, respectively. The Ministry maintains its cash with a high quality financial institution which the Ministry believes limits these risks.

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 5. Property and Equipment

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

	2020	2019
Land – developed	\$ 1,001,281	\$ 1,001,281
Land – Destin, Florida – undeveloped	1,040,525	1,040,525
Development costs – Destin, Florida	176,085	175,885
Buildings and improvements	7,509,978	7,351,700
Equipment and furnishings	1,998,039	1,951,095
Vehicles	262,878	298,407
Website, software, and database	106,523	91,523
Less: accumulated depreciation	<u>(6,188,018)</u>	<u>(5,897,927)</u>
Property and equipment, net	\$ 5,907,291	\$ 6,012,489

Note 6. Land Held for Sale

Land held for sale of \$2,003,323 consists of approximately 6.75 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 17).

Note 7. Note Payable

Note payable consisted of a note payable to a bank requiring principal and interest payments of \$11,276 at an annual interest rate of 3.75%. The note was paid off during 2020.

Note 8. PPP Loan

On April 10, 2020, the Ministry received a loan in the amount of \$980,158 in accordance with the PPP section of the CARES Act. Under this loan program, the Ministry may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. The Ministry repaid \$96,176 of the loan in December 2020. On December 10, 2020, the Ministry was notified that the remainder of the loan was forgiven by the US Small Business Administration and the Ministry will not be responsible for any additional payments.

The Ministry has elected to treat the PPP loan as a conditional contribution in the financial statements. As of December 31, 2020, it recognized income in the amount of \$883,982, which is included in the contributions, with donor restrictions, on the statement of activities.

Note 9. Joint Costs

During the year ended December 31, 2020 and 2019, the Ministry incurred joint costs of \$23,332 and \$194,647, respectively, for special events that included both educational outreach activities and fundraising appeals. The Organization allocated \$11,666 and \$101,046, respectively, to program services, and \$11,666 and \$93,601, respectively, to fundraising.

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 10. 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. A new lease is currently being drafted which is expected to provide yearly lease terms with five successive renewal options. 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 of \$325,557 and \$434,076 for 2020 and expense of \$434,076 for both 2020 and 2019. Additionally, the property taxes for this facility are also donated, which totaled \$41,880 for both 2020 and 2019 and, accordingly, are included as an additional in-kind donation. The contribution receivable for facility use reported at December 31, 2019, 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 lease agreement period.

The Ministry has entered into various operating leases for office copiers and a capital lease for computer equipment. The capital lease was paid off in 2020.

A schedule of future minimum lease payments required under leases as of December 31, 2020 follows:

Year ended December 31,		
2021	\$	12,516
2022		<u>3,129</u>
Total	\$	15,645

Rental expense was \$491,371 and \$494,426 for the years ended December 31, 2020 and 2019, respectively.

Note 11. 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 12. 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 \$44,813 and \$67,016 for the years ended December 31, 2020 and 2019, respectively.

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 13. 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:

	2020	2019
Contributions with donor restrictions/expenses		
Sacramento facility rent	\$ 325,557	\$ 434,076
Sacramento property taxes	41,880	41,880
Contributions without donor restrictions/expenses		
Household supplies and services	8,875	54,372
Property and equipment	-	28,879
Professional services	4,533	14,514
Special events	-	9,825
	\$ 380,845	\$ 583,546

Note 14. Net Assets

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

	2020	2019
Undesignated net assets without donor restrictions	\$ 9,030,057	\$ 7,482,354
Designated net assets		
Maintenance	121,378	164,539
Working capital	100,000	100,000
	\$ 9,251,435	\$ 7,746,893

Mercy Multiplied America, Inc.
Notes to Financial Statements
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Note 14. Net Assets

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

	2020	2019
Time and purpose restrictions		
Development of Florida home	\$ 314,247	\$ 358,269
Sacramento in-kind lease	-	108,519
Christmas funds	-	54,344
Information technology equipment	8,808	24,446
Scholarship fund	-	6,000
Sacramento equipment	-	5,405
Leadership training	3,905	5,315
Staffing program	374	4,201
Home projects	-	4,000
Adoption department	1,461	2,005
Residents	1,757	1,267
Resident database	-	700
Bibles	1,139	458
Monroe staff	20	200
Accounting system	<u>154</u>	<u>154</u>
	331,865	575,283
Held in perpetuity, income is expendable		
Working capital fund	<u>550,000</u>	<u>550,000</u>
Total net assets with donor restrictions	\$ 881,865	\$ 1,125,283

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.

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Note 14. Net Assets

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

	2020	2019
Sacramento in-kind lease	\$ 434,076	\$ 434,076
PPP loan	883,982	-
Nashville bathroom renovation	-	394,381
Christmas funds	147,318	96,005
Information technology equipment	30,737	85,768
Nashville bedrooms	-	77,086
Home operations	56,029	76,823
Sacramento home furnishings and equipment	42,405	61,025
Sacramento property taxes	41,880	41,880
Florida home	145,941	41,325
Leadership training	1,410	19,957
New staffing program	4,007	4,549
Educational scholarship fund	9,000	3,000
Monroe home furnishings and equipment	400	2,000
Bibles	462	1,468
Accounting system	-	1,408
Residents	7,850	587
Adoption department	590	345
Nashville projects	102,000	-
Home projects	10,000	-
	<u>\$ 1,918,087</u>	<u>\$ 1,341,683</u>

Note 15. 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 \$248,682 and \$453,224 in 2020 and 2019, respectively, which includes cash contributions and reimbursement of expenses. Included in these contributions are administrative fees charged to MMI, totaling \$105,140 and \$98,196 in 2020 and 2019, respectively.

The Ministry made donations to one of the other MMI affiliates totaling \$53,000 in 2019.

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, 2020 was \$45,000 and carried an interest rate of 6%. The note was due within 30 days of the collection of the Mercy Canada note receivable. The line of credit was paid off in 2020.

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Note 16. **Supplemental Disclosure of Statements of Cash Flows Information**

The following represent supplemental disclosure of cash flow statements information for the year ended December 31:

	2020	2019
Cash paid for interest during the year	\$ 16,084	\$ 19,010

Note 17. **Subsequent Events**

The Ministry has evaluated subsequent events through May 4, 2021, the date on which the financial statements were available to be issued.

On April 28, 2021, the Ministry signed a letter of intent to sale the land held for sale more fully described in note 6.