

Mercy Multiplied America, Inc.

Financial Statements
For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Mercy Multiplied America, Inc.

Opinion

We have audited the financial statements of Mercy Multiplied America, Inc. (the Ministry), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ministry as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ministry's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ministry's ability to continue as a going concern for a reasonable period of time.

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

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
May 4, 2022

Mercy Multiplied America, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 2,261,494	\$ 1,242,627
Contributions receivable	176,154	162,522
Other receivables	1,383,005	1,889
Inventory	30,594	33,969
Prepaid expenses	35,297	41,714
Total current assets	3,886,544	1,482,721
Cash, designated or restricted for long term purposes	3,264,217	897,737
Certificate of deposit, designated for long term purposes	-	196,696
Property and equipment, net	5,854,753	5,907,291
Land held for sale	2,003,323	2,003,323
Total assets	\$ 15,008,837	\$ 10,487,768
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 54,760	\$ 60,949
Accrued expenses	298,887	293,519
Total current liabilities	353,647	354,468
Net assets		
Without donor restrictions	11,645,568	9,251,435
With donor restrictions	3,009,622	881,865
Total net assets	14,655,190	10,133,300
Total liabilities and net assets	\$ 15,008,837	\$ 10,487,768

Mercy Multiplied America, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions	\$ 7,848,424	\$ 2,531,097	\$ 10,379,521
Special events	605,529	-	605,529
In-kind donations	65,406	434,076	499,482
Resource sales	79,863	-	79,863
Adoption application fees	1,100	-	1,100
Other income	1,421,515	-	1,421,515
Net assets released from restrictions	837,416	(837,416)	-
Total support and revenues	<u>10,859,253</u>	<u>2,127,757</u>	<u>12,987,010</u>
Expenses			
Program services	7,255,395	-	7,255,395
Management and general	676,799	-	676,799
Fundraising	<u>532,926</u>	<u>-</u>	<u>532,926</u>
Total expenses	8,465,120	-	8,465,120
Change in net assets	2,394,133	2,127,757	4,521,890
Net assets, beginning of year	<u>9,251,435</u>	<u>881,865</u>	<u>10,133,300</u>
Net assets, end of year	\$ 11,645,568	\$ 3,009,622	\$ 14,655,190

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 services	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 Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Salaries	\$ 3,221,141	\$ 299,296	\$ 282,563	\$ 3,803,000
Benefits	531,876	49,420	46,657	627,953
Contract labor	<u>33,876</u>	<u>17,713</u>	<u>3,000</u>	<u>54,589</u>
Total compensation	3,786,893	366,429	332,220	4,485,542
Automobile	22,720	2,524	-	25,244
Computer and equipment	73,366	6,817	6,436	86,619
Contribution processing charges	-	130,496	-	130,496
Contributions, MMI	317,593	-	-	317,593
Contributions, tithe	895,882	-	-	895,882
Cost of resources sold	51,321	-	-	51,321
Florida property tax	-	10,951	-	10,951
Insurance	101,848	9,463	8,934	120,245
Interest	-	-	-	-
IT outsourcing	88,033	8,180	7,722	103,935
Marketing and public relations	44,216	-	44,215	88,431
New hire and staff development	32,354	3,006	2,838	38,198
Occupancy	438,538	46,366	391	485,295
Office	16,587	1,541	1,455	19,583
Postage	15,661	1,455	1,374	18,490
Professional fees	151,480	39,956	37,856	229,292
Repairs and maintenance	226,439	10,562	9,971	246,972
Room and board	260,844	-	-	260,844
Special events	46,861	-	46,861	93,722
Telephone	52,357	3,452	3,258	59,067
Travel, conferences, and meetings	49,856	6,232	6,232	62,320
Utilities	167,099	6,633	6,262	179,994
Miscellaneous	<u>20,958</u>	<u>6,808</u>	<u>1,838</u>	<u>29,604</u>
Total before depreciation and amortization	6,860,906	660,871	517,863	8,039,640
Depreciation and amortization	<u>394,489</u>	<u>15,928</u>	<u>15,063</u>	<u>425,480</u>
Total	\$ 7,255,395	\$ 676,799	\$ 532,926	\$ 8,465,120

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

	Program services	Management and general	Fundraising	Total
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 compensation	4,152,911	395,344	324,436	4,872,691
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, MMI	248,682	-	-	248,682
Contributions, Tithe	697,934	-	-	697,934
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
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 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	\$ 7,232,342	\$ 644,318	\$ 454,819	\$ 8,331,479

Mercy Multiplied America, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 2,140,364	\$ 1,362,488
Cash flows from operating activities		
Change in net assets	4,521,890	1,261,124
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Cash contributions for property and equipment	(2,282,697)	(261,719)
Depreciation	425,480	410,393
Change in:		
Contributions receivable	(13,632)	(27,813)
Contribution receivable, facility use	-	108,519
Other receivables	(1,381,116)	184
Inventory	3,375	9,833
Prepaid expenses	6,417	(1,388)
Other current assets	-	-
Accounts payable	(6,189)	31,854
Accrued expenses	5,368	(243,334)
Net cash provided (used) by operating activities	<u>1,278,896</u>	<u>1,287,653</u>
Cash flows from investing activities		
Payoff (issuance) of note receivable	-	45,000
Maturity (purchase) of certificate of deposit	196,696	(196,696)
Purchases of property and equipment	(372,942)	(305,195)
Net cash provided (used) by investing activities	<u>(176,246)</u>	<u>(456,891)</u>
Cash flows from financing activities		
Cash contributions for property and equipment	2,282,697	261,719
Payments on capital leases	-	(14,163)
Payments on notes payable	-	(300,442)
Net cash provided (used) by financing activities	<u>2,282,697</u>	<u>(52,886)</u>
Net change in cash	<u>3,385,347</u>	<u>777,876</u>
Cash, end of year	\$ 5,525,711	\$ 2,140,364
Reconciliation of cash to statements of financial position		
Cash	\$ 2,261,494	\$ 1,242,627
Cash, designated or restricted for long term purposes	<u>3,264,217</u>	<u>897,737</u>
	\$ 5,525,711	\$ 2,140,364
Supplemental disclosure of statements of cash flows information		
Cash paid for interest	\$ -	\$ 16,084

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

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 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.

Effective January 27, 2022, MMI merged into Mercy Multiplied International, LLC a new entity formed as a wholly owned subsidiary of the Ministry. Management believes this merger will allow for significant cost savings and organizational efficiency.

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, 2021 and 2020

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.

Other Receivables

Included in other receivables and other income in 2021 are refundable tax credits applied for under the COVID-related Tax Relief Act of 2020 in the amount of \$1,383,005. These refundable credits are expected to be received during 2022.

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

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.

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 \$93,979 and \$96,336 at December 31, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020

Note 3. Availability and Liquidity

The following represents the Ministry's financial assets:

	2021	2020
Financial assets		
Cash	\$ 5,525,711	\$ 2,140,364
Contributions receivable	176,154	162,522
Refundable tax credits receivable	1,383,005	-
Other receivables	-	1,889
Total financial assets at year-end	<u>7,084,870</u>	<u>2,304,775</u>
Less amounts not available to be used within one year:		
Cash permanently restricted for working capital	(550,000)	(550,000)
Cash with donor restrictions for long-term purposes	(2,028,792)	(126,359)
Cash designated for working capital	(450,000)	(100,000)
Cash designated for future maintenance	<u>(235,425)</u>	<u>(121,378)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,820,653	\$ 1,407,038

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. 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 \$5,064,000 and \$1,705,000 at December 31, 2021 and 2020, 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, 2021 and 2020

Note 5. Property and Equipment

A summary of property and equipment is as follows:

	2021	2020
Land – developed	\$ 1,001,281	\$ 1,001,281
Land – Destin, Florida – undeveloped	1,040,525	1,040,525
Development costs – Destin, Florida	185,535	176,085
Buildings and improvements	7,684,808	7,509,978
Equipment and furnishings	2,110,028	1,998,039
Vehicles	242,628	262,878
Website, software, and database	106,523	106,523
Less: accumulated depreciation	<u>(6,516,575)</u>	<u>(6,188,018)</u>
Property and equipment, net	\$ 5,854,753	\$ 5,907,290

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 Destin, Florida. On July 6, 2021, the Ministry entered into an agreement to sell the land. The agreement includes a provision for the seller to assist with some infrastructure costs by reducing the ultimate sale price. The buyer is currently performing its due diligence related to the extent of feasible development. Closing on the sale is expected before the end of 2022. The remainder of the Destin, Florida land is to be used for future ministries facilities and is included in property and equipment.

Note 7. 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. 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. As of December 31, 2020, it recognized income in the amount of \$883,982, which is included in contributions, with donor restrictions, on the statement of activities.

Note 8. Joint Costs

During the year ended December 31, 2021 and 2020, the Ministry incurred joint costs of \$93,722 and \$23,332, respectively, for special events that included both educational outreach activities and fundraising appeals. The Organization allocated \$46,861 and \$11,666, respectively, to program services, and \$46,861 and \$11,666, respectively, to fundraising.

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 9. Lease Commitments and Rent Expense

On a rent-free basis, the Ministry has a year-to-year operating lease for its residential facility in Sacramento, California. The lease includes four successive, optional one-year terms through December 31, 2024. The lease requires the Ministry to reimburse the owner for the related property taxes. For this lease, the Ministry included on the statements of activities an in-kind rent donation of \$434,076 and paid property tax reimbursements of \$45,951 for 2021.

During 2020, the lease was under renegotiation and was recorded as a lease payment of \$3,000 per month with an in-kind rent donation for the amount the below the estimated market rental rate. For 2020, the Ministry included on the statements of activities an in-kind rent donation of \$325,557. Additionally, the property taxes for this facility were also donated, which totaled \$41,880 for 2020 and, accordingly, are also included as an additional in-kind donation.

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, 2021 follows:

Year ended December 31,	
2022	\$ 3,129

Rental expense was \$493,857 and \$491,371 for 2021 and 2020, 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 \$40,567 and \$44,813 for 2021 and 2020, respectively.

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 12. In-kind Contributions

The following in-kind contributions have been included in revenues and expenses/assets in the financial statements:

	2021	2020
Contributions with donor restrictions/expenses		
Sacramento facility rent	\$ 434,076	\$ 325,557
Sacramento property taxes	-	41,880
Contributions without donor restrictions/expenses		
Household supplies and services	40,262	8,875
Property and equipment	21,144	-
Professional services	-	4,533
Special events	4,000	-
	\$ 499,482	\$ 380,845

Note 13. Net Assets

Net assets without donor restrictions consist of the following:

	2021	2020
Undesignated net assets without donor restrictions	\$ 10,960,143	\$ 9,030,057
Designated net assets		
Maintenance	235,425	121,378
Working capital	450,000	100,000
	\$ 11,645,568	\$ 9,251,435

Mercy Multiplied America, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 13. **Net Assets**

Net assets with donor restrictions are restricted for the following:

	2021	2020
Time and purpose restrictions		
Development of Florida home	\$ 2,028,792	\$ 314,247
St. Louis equipment	302,806	-
Christmas funds	42,896	-
Home operations	19,150	-
Sacramento equipment	16,161	-
Scholarship fund	15,000	-
Planned giving program	11,600	-
Residents	7,770	1,757
Adoption department	6,960	1,461
Information technology equipment	6,130	8,808
Bibles	1,872	1,139
Leadership training	485	3,905
Staffing program	-	374
Monroe staff	-	20
Accounting system	-	154
	<u>2,459,622</u>	<u>331,865</u>
Held in perpetuity, income is expendable		
Working capital fund	<u>550,000</u>	<u>550,000</u>
Total net assets with donor restrictions	\$ 3,009,622	\$ 881,865

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
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Note 13. Net Assets

Net assets released from restrictions include the following:

	2021	2020
Sacramento in-kind lease	\$ 434,076	\$ 434,076
St. Louis furnishing and equipment	95,395	-
Home operations	59,454	56,029
Christmas funds	57,585	147,318
Sacramento home furnishings and equipment	52,839	42,405
Nashville projects	50,946	102,000
Information technology equipment	26,732	30,737
Florida home	25,950	145,941
Planned giving program	18,400	-
Educational scholarship fund	8,000	9,000
Leadership training	3,420	1,410
Residents	3,272	7,850
Bibles	818	462
New staffing program	374	4,007
Accounting system	154	-
PPP loan	-	883,982
Sacramento property taxes	-	41,880
Home projects	-	10,000
Adoption department	-	590
Monroe home furnishings and equipment	-	400
	<u>\$ 837,416</u>	<u>\$ 1,918,087</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 \$317,593 and \$248,682 in 2021 and 2020, respectively, which includes cash contributions and reimbursement of expenses. Included in these contributions are administrative fees charged to MMI, totaling \$105,239 and \$105,140 in 2021 and 2020, respectively.

Note 15. Subsequent Events

The Ministry has evaluated subsequent events through May 4, 2022, the date on which the financial statements were available to be issued.