

Mercy Multiplied America, Inc.

Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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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 consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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, 2022 and 2021, 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 available to be issued.

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
June 28, 2023

Mercy Multiplied America, Inc.
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash	\$ 1,401,814	\$ 2,261,494
Contributions receivable	4,187	176,154
Other receivables	1,393,416	1,383,005
Inventory	27,387	30,594
Investments	2,582,137	-
Prepaid expenses	<u>76,022</u>	<u>35,297</u>
Total current assets	5,484,963	3,886,544
Cash, designated or restricted for long-term purposes	744,752	3,264,217
Investments, designated or restricted for long-term purposes	4,903,085	-
Property and equipment, net	6,684,681	5,854,753
Land held for sale	<u>2,003,323</u>	<u>2,003,323</u>
Total assets	\$ 19,820,804	\$ 15,008,837
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 67,425	\$ 54,760
Accrued expenses	<u>273,064</u>	<u>298,887</u>
Total current liabilities	340,489	353,647
Net assets		
Without donor restrictions	14,267,580	11,645,568
With donor restrictions	<u>5,212,735</u>	<u>3,009,622</u>
Total net assets	<u>19,480,315</u>	<u>14,655,190</u>
Total liabilities and net assets	\$ 19,820,804	\$ 15,008,837

Mercy Multiplied America, Inc.
Consolidated Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Contributions	\$ 9,547,341	\$ 2,820,383	\$ 12,367,724
Special events	447,923	-	447,923
Contributions of nonfinancial assets	5,000	434,076	439,076
Resource sales	69,072	-	69,072
Adoption application fees	625	-	625
Other income	90,138	-	90,138
Net assets released from restrictions	1,051,346	(1,051,346)	-
Total support and revenues	<u>11,211,445</u>	<u>2,203,113</u>	<u>13,414,558</u>
Expenses			
Program services	7,481,462	-	7,481,462
Management and general	467,681	-	467,681
Fundraising	640,290	-	640,290
Total expenses	<u>8,589,433</u>	<u>-</u>	<u>8,589,433</u>
Change in net assets	2,622,012	2,203,113	4,825,125
Net assets, beginning of year	<u>11,645,568</u>	<u>3,009,622</u>	<u>14,655,190</u>
Net assets, end of year	\$ 14,267,580	\$ 5,212,735	\$ 19,480,315

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

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Contributions	\$ 7,848,424	\$ 2,531,097	\$ 10,379,521
Special events	605,529	-	605,529
Contributions of nonfinancial assets	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	532,926	-	532,926
Total expenses	<u>8,465,120</u>	<u>-</u>	<u>8,465,120</u>
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.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total
Salaries	\$ 3,698,204	\$ 102,546	\$ 314,418	\$ 4,115,168
Benefits	454,687	26,642	58,829	540,158
Contract labor	90,154	7,301	11,892	109,347
Total compensation	<u>4,243,045</u>	<u>136,489</u>	<u>385,139</u>	<u>4,764,673</u>
Automobile	33,835	3,759	-	37,594
Computer and equipment	64,881	6,921	7,805	79,607
Contribution processing charges	-	61,105	-	61,105
Contributions, MMI	-	-	-	-
Contributions, tithe	1,038,650	-	-	1,038,650
Cost of resources sold	11,902	-	-	11,902
Florida property tax	-	11,591	-	11,591
Insurance	122,175	10,930	7,770	140,875
IT outsourcing	102,587	10,930	12,196	125,713
Marketing and public relations	55,131	-	55,131	110,262
New hire and staff development	37,430	3,993	4,503	45,926
Occupancy	446,799	46,140	521	493,460
Office	17,086	1,823	2,055	20,964
Postage	14,794	1,578	1,780	18,152
Professional fees	164,453	130,841	72,722	368,016
Repairs and maintenance	177,224	4,250	4,792	186,266
Room and board	190,583	-	-	190,583
Special events	44,735	-	44,734	89,469
Telephone	50,773	5,417	6,108	62,298
Travel, conferences, and meetings	59,689	7,461	7,461	74,611
Utilities	184,868	9,134	10,299	204,301
Miscellaneous	9,430	1,006	1,134	11,570
Total before depreciation and amortization	<u>7,070,070</u>	<u>453,368</u>	<u>624,150</u>	<u>8,147,588</u>
Depreciation and amortization	411,392	14,313	16,140	441,845
Total	<u>\$ 7,481,462</u>	<u>\$ 467,681</u>	<u>\$ 640,290</u>	<u>\$ 8,589,433</u>

Mercy Multiplied America, Inc.
Consolidated 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	33,876	17,713	3,000	54,589
Total compensation	<u>3,786,893</u>	<u>366,429</u>	<u>332,220</u>	<u>4,485,542</u>
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
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	20,958	6,808	1,838	29,604
Total before depreciation and amortization	<u>6,860,906</u>	<u>660,871</u>	<u>517,863</u>	<u>8,039,640</u>
Depreciation and amortization	394,489	15,928	15,063	425,480
Total	<u>\$ 7,255,395</u>	<u>\$ 676,799</u>	<u>\$ 532,926</u>	<u>\$ 8,465,120</u>

Mercy Multiplied America, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash, beginning of year	\$ 5,525,711	\$ 2,140,364
Cash flows from operating activities		
Change in net assets	4,825,125	4,521,890
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Cash contributions for property and equipment	(2,598,274)	(2,282,697)
Income on investments	(732)	-
Depreciation and amortization	441,845	425,480
Change in:		
Contributions receivable	171,967	(13,632)
Other receivables	(10,411)	(1,381,116)
Inventory	3,207	3,375
Prepaid expenses	(40,725)	6,417
Accounts payable	12,665	(6,189)
Accrued expenses	(25,823)	5,368
Net cash provided (used) by operating activities	<u>2,778,844</u>	<u>1,278,896</u>
Cash flows from investing activities		
Maturity (purchase) of certificate of deposit	-	196,696
Purchases of investments	(9,468,980)	-
Sales of investments	1,984,490	
Purchases of property and equipment	<u>(1,271,773)</u>	<u>(372,942)</u>
Net cash provided (used) by investing activities	(8,756,263)	(176,246)
Cash flows from financing activities		
Cash contributions for property and equipment	2,598,274	2,282,697
Net change in cash	<u>(3,379,145)</u>	<u>3,385,347</u>
Cash, end of year	\$ 2,146,566	\$ 5,525,711
Reconciliation of cash to statements of financial position		
Cash	\$ 1,401,814	\$ 2,261,494
Cash, designated or restricted for long term purposes	<u>744,752</u>	<u>3,264,217</u>
	\$ 2,146,566	\$ 5,525,711

Mercy Multiplied America, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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, retreat experiences, 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 and Tennessee. In 2020, the Ministry launched its first Mercy Multiplied Center for Wellness and Counseling in West Monroe, Louisiana, offering free-of-charge outpatient counseling to women aged 13 and older and in 2022 added services for men. In 2022, the Ministry launched its second Center for Wellness and Counseling at their St. Louis Location, and additionally launched the Keys to Freedom retreat there in 2023. 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.

Effective January 27, 2022, a sister organization, Mercy Multiplied International, Inc. (MMI, INC), merged into Mercy Multiplied International, LLC (MMILLC), a wholly owned sub of MMA (the Ministry). Prior to the merger, MMI, INC was the custodian and owner of the Mercy Multiplied program and brand on a global basis and oversaw the Ministry Collaboration Agreements (MCA) with affiliates in Canada, the United Kingdom, and the Isle of Man. This oversight is now provided by the Ministry. Management believes this merger will allow for cost savings and organizational efficiency. The effect of the merger on the assets and liabilities into the Ministry was not material. See note 13 for further related party disclosure.

Principles of Consolidation

The accompanying financial statements include the accounts of Mercy Multiplied America, Inc. and Mercy Multiplied International, LLC, its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

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 Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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 2023.

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.

Investments

Investments are composed of fixed income securities and mutual funds and are valued at quoted fair 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 7 to 40 years. Equipment and furniture are depreciated over 3 to 10 years. Vehicles are depreciated over 5 years. Website, software, and database costs are amortized over a period of 3 to 7 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 \$94,954 and \$93,979 at December 31, 2022 and 2021, 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 Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Contributions of Cash and Other Financial Assets

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. 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.

Contributions of Nonfinancial Assets

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are not reflected in the financial statements because the activities do not meet the necessary criteria for recognition under US GAAP. Property, equipment, materials, and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of contribution based upon information provided by third-party providers.

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 Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Recently Issued Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Ministry on January 1, 2021.

Note 3. Liquidity and Availability

The following represents the Ministry's financial assets:

	2022	2021
Financial assets		
Cash	\$ 2,146,566	\$ 5,525,711
Contributions receivable	4,187	176,154
Refundable tax credits receivable	1,383,005	1,383,005
Investments	<u>7,485,222</u>	<u>-</u>
Total financial assets at year-end	11,018,980	7,084,870
Less amounts not available to be used within one year:		
Amounts permanently restricted for working capital	(550,000)	(550,000)
Amounts with donor restrictions for long-term purposes	(4,564,217)	(2,028,792)
Amounts designated for working capital	(450,000)	(450,000)
Amounts designated for future maintenance	<u>(83,620)</u>	<u>(235,425)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,371,143	\$ 3,820,653

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 \$2,109,000 and \$5,064,000 at December 31, 2022 and 2021, 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 Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 5. Investments

The Ministry's investments consist of the following at December 31, 2022:

Cash funds	\$ 910,469
Fixed income, U.S. Treasury bills and notes	5,724,990
Fixed income, Exchange traded funds	634,850
Fixed income, mutual funds	<u>214,913</u>
	\$ 7,485,222

The investments are held for the following purposes:

Funds restricted for future Florida home	\$ 3,903,085
Funds restricted for working capital	550,000
Funds designated for working capital	450,000
General reserve	<u>2,582,137</u>
	\$ 7,485,222

Total investment income, net of fees, on these investments was \$732 for 2022. See note 12 for information regarding the funds restricted for the future Florida home and working capital funds.

US GAAP requires the Ministry to disclose the basis for considering market participant assumptions in fair value measurements. Fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). All of the Organization's investments are valued using Level 1 inputs.

Note 6. Property and Equipment

A summary of property and equipment is as follows:

	2022	2021
Land – developed	\$ 1,001,281	\$ 1,001,281
Land – Destin, Florida – undeveloped	1,040,525	1,040,525
Development costs – Destin, Florida	186,085	185,535
Buildings and improvements	7,749,284	7,588,828
Renovations in process	965,788	95,980
Equipment and furnishings	2,304,569	2,110,028
Vehicles	197,345	242,628
Website, software, and database	106,523	106,523
Less: accumulated depreciation	<u>(6,866,719)</u>	<u>(6,516,575)</u>
Property and equipment, net	\$ 6,684,681	\$ 5,854,753

Mercy Multiplied America, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 7. 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 2023. The remainder of the Destin, Florida land is to be used for future ministries facilities and is included in property and equipment.

Note 8. Joint Costs

During the year ended December 31, 2022 and 2021, the Ministry incurred joint costs of \$89,469 and \$93,722, respectively, for special events that included both educational outreach activities and fundraising appeals. The Ministry allocated \$44,734 and \$46,861, respectively, to program services, and \$44,734 and \$46,861, respectively, to fundraising.

Note 9. Contributed Nonfinancial Assets

The following represents contributed nonfinancial assets:

	2022	2021
Contributions with donor restrictions/expenses		
Sacramento facility rent	\$ 434,076	\$ 434,076
Contributions without donor restrictions/expenses		
Special events	5,000	4,000
Household supplies and services	-	40,262
Property and equipment	-	21,144
	\$ 439,076	\$ 499,482

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 which totaled \$45,951 for 2022 and 2021. The owner of the facility provided the Ministry with an estimated fair value of rent associated with the use of the facility.

Note 10. Contingencies and Commitments

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 the property ceases to be used by the Ministry for approved ministry purposes.

The ministry has entered into operating and financing leases for several pieces of office equipment. These leases are not material and therefore are not reported as lease right-to-use assets and lease liabilities.

Mercy Multiplied America, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 11. Retirement Plan

On January 1, 2019, the Ministry adopted a 401(k) retirement plan for its employees in which the Ministry matches 50% of employee contributions up to 3% of compensation for each participating employee. The expense totaled \$50,596 and \$40,567 for 2022 and 2021, respectively.

Note 12. Net Assets

Net assets without donor restrictions consist of the following:

	2022	2021
Undesignated net assets without donor restrictions	\$ 13,733,960	\$ 10,960,143
Designated net assets		
Maintenance fund	83,620	235,425
Working capital fund	<u>450,000</u>	<u>450,000</u>
	\$ 14,267,580	\$ 11,645,568

Net assets with donor restrictions are restricted for the following:

	2022	2021
Time and purpose restrictions		
Development of Florida home	\$ 4,384,564	\$ 2,028,792
St. Louis furnishing and equipment	155,719	302,806
Christmas funds	73,793	42,896
Software	17,700	-
Residents	9,704	7,770
Scholarship fund	6,500	15,000
Sacramento Furnishing and equipment	6,233	16,161
Adoption department	6,050	6,960
Bibles	2,472	1,872
Home operations	-	19,150
Planned giving program	-	11,600
Information technology equipment	-	6,130
Leadership training	<u>-</u>	<u>485</u>
	4,662,735	2,459,622
Held in perpetuity, income is expendable		
Working capital fund	<u>550,000</u>	<u>550,000</u>
Total net assets with donor restrictions	\$ 5,212,735	\$ 3,009,622

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Note 12. Net Assets

The working capital fund of \$550,000 is held in perpetuity and represents donations received for the Ministry's working capital fund. Additionally, the Ministry has internally designated an additional \$450,000 to bring the total to \$1,000,000. 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. These funds function as a quasi-endowment. The Ministry can use these funds throughout the year when there are fluctuations in cash flow. The Ministry then replenishes the balance when cash flow is available. As of December 31, 2022, these funds are held as part of the investments restricted or designated for long-term purposes on the statements of financial position. All earnings on these funds are unrestricted.

Net assets released from restrictions include the following:

	2022	2021
Sacramento in-kind lease	\$ 434,076	\$ 434,076
St. Louis furnishing and equipment	363,815	95,395
Home operations	121,748	59,454
Sacramento home furnishing and equipment	44,342	52,839
Christmas funds	30,152	57,585
Planned giving program	11,600	18,400
Educational scholarship fund	11,000	8,000
Corporate furnishing and equipment	9,000	-
Adoption department	7,460	-
Outreach	6,500	-
Information technology equipment	6,130	26,732
Florida home	2,088	25,950
Residents	1,950	3,272
Nashville projects	1,000	50,946
Leadership training	485	3,420
Bibles	-	818
New staffing program	-	374
Accounting system	-	154
	<u>\$ 1,051,346</u>	<u>\$ 837,416</u>

Note 13. Related Party Transactions

As described in note 1, MMI merged into the Ministry for operational and financial efficiencies. Prior to the January 27, 2022 merger, MMI was a separate not-for-profit organization, maintaining a separate board of directors and organizational structure from the Ministry. MMI was not reported on a consolidated basis with the Ministry. The effect of the merger on January 27, 2022 was to increase the cash of the Ministry by \$2,655.

Prior to the merger, the Ministry maintained a close working relationship with MMI with which it shared equipment, office facilities, supplies, personnel, and some common members on their boards of directors. Contributions made to MMI totaled \$317,593 in 2021 which included cash contributions and reimbursement of expenses. Included in these contributions are administrative fees charged to MMI, totaling \$105,239 in 2021.

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Note 14. **Subsequent Events**

The Ministry has evaluated subsequent events through June 28, 2023, the date on which the financial statements were available to be issued.