

Mercy Neighborhood Ministries, Inc.

**Financial Statements
December 31, 2020 and 2019, and
Independent Auditors' Report**

MERCY NEIGHBORHOOD MINISTRIES, INC.
December 31, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors
Mercy Neighborhood Ministries, Inc.
Cincinnati, Ohio

We have audited the accompanying financial statements of Mercy Neighborhood Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Neighborhood Ministries, Inc. as of December 31, 2020 and 2019, 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.



July 8, 2021
Crestview Hills, Kentucky

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statements of Financial Position
December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,154,340	\$ 551,754
Restricted cash held for eligible tenants	127,686	144,999
Accounts receivable	83,867	67,282
Contributions receivable - related party	17,498	17,498
Prepaid expenses and other assets	23,794	18,334
Investments	2,189,711	2,113,762
Property and equipment, net	<u>41,172</u>	<u>42,624</u>
Total assets	<u>\$ 3,638,068</u>	<u>\$ 2,956,253</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 5,372	\$ 9,988
Assets held for others	66,715	155,255
Accrued expenses	<u>123,392</u>	<u>84,469</u>
Total liabilities	<u>195,479</u>	<u>249,712</u>
Net Assets		
Without donor restrictions	3,208,008	2,480,858
With donor restrictions	<u>234,581</u>	<u>225,683</u>
Total net assets	<u>3,442,589</u>	<u>2,706,541</u>
Total liabilities and net assets	<u>\$ 3,638,068</u>	<u>\$ 2,956,253</u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statement of Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Program service income	\$ 522,934	\$ -	\$ 522,934
Grant revenue	280,578	243,873	524,451
Contributions	405,725	-	405,725
Donated services and materials	145,308	-	145,308
Special events	84,710	-	84,710
Investment return, net	327,940	-	327,940
Miscellaneous	279,869	-	279,869
Net assets released from restrictions	234,975	(234,975)	-
	<hr/>	<hr/>	<hr/>
Total revenue, gains and other support	2,282,039	8,898	2,290,937
	<hr/>	<hr/>	<hr/>
Expenses			
Program expenses	1,309,919	-	1,309,919
Management and general	130,771	-	130,771
Fundraising	114,199	-	114,199
	<hr/>	<hr/>	<hr/>
Total expenses	1,554,889	-	1,554,889
	<hr/>	<hr/>	<hr/>
Change in net assets	727,150	8,898	736,048
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	2,480,858	225,683	2,706,541
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 3,208,008</u>	<u>\$ 234,581</u>	<u>\$ 3,442,589</u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statement of Activities
Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains and other support			
Program service income	\$ 556,008	\$ -	\$ 556,008
Grant revenue	218,399	139,438	357,837
Contributions	392,141	-	392,141
Donated services and materials	159,463	-	159,463
Special events	136,100	-	136,100
Investment return, net	353,864	-	353,864
Miscellaneous	11,718	-	11,718
Net assets released from restrictions	88,725	(88,725)	-
	<u>1,916,418</u>	<u>50,713</u>	<u>1,967,131</u>
Total revenue, gains and other support			
Expenses			
Program expenses	1,350,678	-	1,350,678
Management and general	138,288	-	138,288
Fundraising	133,134	-	133,134
	<u>1,622,100</u>	<u>-</u>	<u>1,622,100</u>
Total expenses			
Change in net assets	294,318	50,713	345,031
Net assets, beginning of year	<u>2,186,540</u>	<u>174,970</u>	<u>2,361,510</u>
Net assets, end of year	<u><u>\$ 2,480,858</u></u>	<u><u>\$ 225,683</u></u>	<u><u>\$ 2,706,541</u></u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	<u>Home Health</u>	<u>Home Care Training</u>	<u>Senior and Support Services</u>	<u>Education</u>	<u>Hospital Workers Readiness Program</u>	<u>Community Partner Services</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 365,762	\$ 276,836	\$ 94,967	\$ 93,682	\$ 112,110	\$ -	\$ 943,357	\$ 91,302	\$ 99,030	\$ 1,133,689
Occupancy	13,441	39,982	16,982	11,309	11,142	-	92,856	6,217	-	99,073
Program	2,901	8,529	2,605	303	475	-	14,813	-	-	14,813
Professional services	3,408	1,408	1,661	4,264	4,123	-	14,864	14,871	704	30,439
Donated services and materials	-	-	116,731	13,587	1,090	-	131,408	-	-	131,408
Depreciation	3,070	2,303	2,303	3,070	3,070	-	13,816	1,535	-	15,351
Miscellaneous	5,710	16,800	4,318	3,277	6,773	6,114	42,992	8,055	4,645	55,692
Travel	9,678	49	267	3	34	-	10,031	134	31	10,196
Communications	2,655	4,418	2,682	2,979	2,530	-	15,264	1,674	462	17,400
Special event expenses	-	-	-	-	-	-	-	-	6,775	6,775
Insurance	2,000	2,387	839	1,613	839	-	7,678	4,942	-	12,620
Printing and postage	629	908	549	538	519	-	3,143	940	1,708	5,791
Equipment lease	1,091	1,068	569	718	918	-	4,364	346	746	5,456
Supplies	3,013	9,484	834	977	1,025	-	15,333	755	98	16,186
	<u>\$ 413,358</u>	<u>\$ 364,172</u>	<u>\$ 245,307</u>	<u>\$ 136,320</u>	<u>\$ 144,648</u>	<u>\$ 6,114</u>	<u>\$ 1,309,919</u>	<u>\$ 130,771</u>	<u>\$ 114,199</u>	<u>\$ 1,554,889</u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Home Health	Home Care Training	Senior and Support Services	Education	Hospital Workers Readiness Program	Community Partner Services	Total Program	Management and General	Fundraising	Total
Personnel expenses	\$ 365,865	\$ 276,692	\$ 101,094	\$ 99,262	\$ 79,686	\$ -	\$ 922,599	\$ 90,124	\$ 93,599	\$ 1,106,322
Occupancy	12,982	39,264	16,747	10,877	10,877	-	90,747	5,868	-	96,615
Program	26,316	10,734	6,866	840	1,965	-	46,721	-	-	46,721
Professional services	3,075	1,146	1,338	3,350	3,165	-	12,074	20,993	573	33,640
Donated services and materials	-	-	115,660	29,743	-	-	145,403	-	3,500	148,903
Depreciation	3,286	2,465	2,465	3,286	3,286	-	14,788	1,644	-	16,432
Miscellaneous	2,701	25,527	11,756	9,606	13,131	10,342	73,063	11,052	5,075	89,190
Travel	12,762	421	313	-	34	-	13,530	162	159	13,851
Communications	2,664	4,254	2,074	2,991	2,550	-	14,533	1,701	473	16,707
Special event expenses	-	-	-	-	-	-	-	-	26,374	26,374
Insurance	1,939	2,311	1,035	1,567	822	-	7,674	4,927	-	12,601
Printing and postage	617	1,433	602	913	586	-	4,151	1,002	3,110	8,263
Equipment lease	643	1,215	323	917	578	-	3,676	470	-	4,146
Supplies	347	541	165	349	317	-	1,719	345	271	2,335
	<u>\$ 433,197</u>	<u>\$ 366,003</u>	<u>\$ 260,438</u>	<u>\$ 163,701</u>	<u>\$ 116,997</u>	<u>\$ 10,342</u>	<u>\$ 1,350,678</u>	<u>\$ 138,288</u>	<u>\$ 133,134</u>	<u>\$ 1,622,100</u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statements of Cash Flows
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 736,048	\$ 345,031
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	15,351	16,432
Non-cash donation of property and equipment	(13,909)	(10,560)
Realized and unrealized gain on investment	(283,249)	(318,393)
Disbursements of cash held for eligible tenants in agency transactions	(88,535)	(37,767)
Debt forgiveness	(209,500)	-
Changes in:		
Accounts receivable	(16,585)	24,313
Prepaid expenses and other assets	(5,460)	(2,143)
Accounts payable	(4,616)	(5,543)
Accrued expenses	38,923	31,494
	168,468	42,864
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(42,695)	(31,764)
Proceeds from sale of investments	250,000	1,083
	207,305	(30,681)
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Proceeds from issuance of debt	209,500	-
	209,500	-
Net cash provided by financing activities		
Net change in cash, cash equivalents, and restricted cash	585,273	12,183
Cash, cash equivalents, and restricted cash, beginning of year	696,753	684,570
Cash, cash equivalents, and restricted cash, end of year	\$ 1,282,026	\$ 696,753

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

Notes to Financial Statements

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mercy Neighborhood Ministries, Inc. (the Organization), is a religious not-for-profit organization that promotes the empowerment of individuals and families living in poverty through programs that address their immediate needs, foster self-reliance, promote holistic health and advocate for social justice. Services include adult education and workforce development, home health care training, home care aide and state tested nurse aide training, senior and supportive services. The Organization is sponsored by the Sisters of Mercy of the Americas, South Central Community, Inc. (the Community).

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction, which are available for use in general operations and are not subject to donor restrictions; and net assets with donor restriction, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

In 2017, the Organization was designated as the administrator of a large (\$250,000) community housing settlement fund for the benefit of certain former residents of federally subsidized rental properties. These amounts are maintained in a separate bank account and are not available for use in operations.

At December 31, 2020, cash and cash equivalents of \$1,154,340 and cash held for others of \$127,686 reported within the statement of financial position sum to the total of \$1,282,026, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows. At December 31, 2019, cash and cash equivalents of \$551,754 and cash held for others of \$144,999 reported within the statement of financial position sum to the total of \$696,753, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows.

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Accounts Receivable

Accounts receivable are stated at their contractual balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The Organization begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Organization's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Receivables are written off as uncollectible after the Organization has used reasonable collection efforts and deems them uncollectible. Based on this criteria, no allowance for doubtful accounts has been provided at December 31, 2020 and 2019 since the Organization expects no material losses.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividends, interest, realized and unrealized gains and losses on investments, and investment fees.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as revenues with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization's investments do not have a significant concentration of credit or market risk within any industry, specific institution, or group of investments.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

Contributions

Gifts of cash and other assets received are recorded at their fair market value as of the date of the contribution. Such donations are recorded as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue without donor restrictions and net assets without donor restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

MERCY NEIGHBORHOOD MINISTRIES, INC.

Notes to Financial Statements (Continued)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Materials

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individual providing the service and the service would typically need to be purchased if not donated. Contributions of food are recognized as revenue at their estimated fair value once received by the Organization.

The donated services and food valued by Mercy Neighborhood Ministries at \$145,308 and \$159,463, were received from various staff to the Organization during 2020 and 2019, respectively. Mercy Neighborhood Ministries pays certain staff an hourly rate lower than fair value, and the difference between the fair value amounts and what was actually expensed is recorded as donated services. Donated food and services are recognized as both support and expense, and therefore do not affect net assets.

Revenue Recognition

The Organization identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Organization evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. To determine the proper revenue recognition method, the Organization evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as single or more than one performance obligation.

Revenue from contracts with customers is primarily recognized from program service fees for home visits to assist the elderly population primarily in the Cincinnati region. These contracts consist of a single performance obligation as the promise to transfer the service is not separately identifiable from other promises in the contracts and therefore, not distinct. Generally, the Organization bills home visiting services within 30 days of the service being performed and payment is expected within 30 days of receipt of a valid invoice. Revenue is recognized by the Organization over the time its services are provided to the client. The organization generally uses the time elapse method, an input measure, as it considers it to best depict the simultaneous consumption and delivery of its services. The determination of the method by which the Organization measures its progress towards the satisfaction of its performance obligations requires judgment.

There is also revenue from contracts with customers recognized as program service fees from registration fees received from participants in classes for the home care aide program, state tested nursing assistant program, and healthcare worker readiness program. There is a single performance obligation provided to participants which is to complete the program that the participant is enrolled in. For this performance obligation, control transfers to the participant over time, as the customer simultaneously receives and consumes the benefits provided and participants complete the classes on a specified date as published by the Organization. Payments for registration fees are typically received in advance or are due within 30 days of completing the course.

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition (Continued)

Program service income includes both revenue from conditional contributions and revenue from exchange transactions. All revenue in this category relates to providing home visits and providing education to enable participants to perform home visits. The following table shows the program service income disaggregated between exchange transactions and conditional contributions for the year ended December 31:

	<u>2020</u>	<u>2019</u>
Program service income - exchange transaction	\$ 356,606	\$ 318,008
Program service income - conditional contribution	<u>166,328</u>	<u>238,000</u>
	<u>\$ 522,934</u>	<u>\$ 556,008</u>

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Expenses have been classified based upon actual and direct expenditures and cost allocations. Expenses are allocated based upon time spent in different departments by the Organization's personnel.

MERCY NEIGHBORHOOD MINISTRIES, INC.

Notes to Financial Statements (Continued)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2022.

Mercy Neighborhood Ministries is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Reclassifications

Certain 2019 figures were reclassified to conform to the 2020 presentation. There was no effect on change of net assets.

Subsequent Events

Subsequent events have been evaluated through July 8, 2021, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31 comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and restricted cash	\$ 1,282,026	696,753
Accounts and contributions receivable	101,365	84,780
Investments	<u>2,189,711</u>	<u>2,113,762</u>
Total financial assets	<u>3,573,102</u>	<u>2,895,295</u>
Assets with temporary restrictions	(234,581)	(225,683)
Fiscal agent funds (iMap)	<u>(66,715)</u>	<u>(155,255)</u>
Financial assets available for general expenditure	<u>\$ 3,271,806</u>	<u>\$ 2,514,357</u>

The Organization manages its liquidity through annual budgeting. Cash is available to cover general expenditures in the Organization's five programs, management and general, and fundraising. There are no reserves or Board restrictions on the available financial assets.

The Organization has a \$250,000 line of credit agreement which it could draw upon in the event of an unanticipated liquidity need (See Note 5 for more details on the line of credit).

Fiscal agent funds represent a fund managed by MNM for clients in a restricted category.

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following:

	2020	2019
Equipment	\$ 164,343	\$ 150,443
Leasehold improvements	143,385	143,385
	307,728	293,828
Less accumulated depreciation	(266,556)	(251,204)
	\$ 41,172	\$ 42,624

NOTE 4 INVESTMENTS AT FAIR VALUE

Investments at fair value as of December 31 consisted of the following:

	2020	2019
Level 1:		
Equity mutual funds	\$ 861,666	\$ 839,339
Equity securities	744,377	716,277
Fixed income mutual funds	392,736	393,309
Other securities and mutual funds	54,824	52,017
Level 2:		
Money market funds	136,108	112,820
	\$ 2,189,711	\$ 2,113,762

Where quoted market prices are available in an active market, securities are classified Level 1 of the valuation hierarchy. Level 1 securities include equity mutual funds, equity securities, fixed income mutual funds and other securities and mutual funds. If quoted market prices are not available, then fair values are estimated using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include money market funds. There were no Level 3 investments as of December 31, 2020 and 2019.

NOTE 5 LINE OF CREDIT

In 2020, the Organization entered into a \$250,000 line of credit agreement. As of December 31, 2020 there was \$-0- borrowed against this line. Any interest is payable monthly at the prime rate (3.25% at December 31, 2020). The line of credit agreement expires on October 8, 2021.

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Home Care	\$ 105,216	\$ 156,636
General education program	26,129	59,980
Crisis Assistance	90,792	-
Other	12,444	9,067
	\$ 234,581	\$ 225,683

NOTE 7 RELATED PARTY TRANSACTIONS

The Community committed to providing \$35,000 to the Organization during both 2020 and 2019, which is recorded in contributions without donor restrictions on the statement of activities. The commitment is to be paid monthly in equal installments over a fiscal year from July to June. The unpaid balance of the commitment as of December 31, 2020 and 2019 has been recorded as contributions receivable – related party on the statement of financial position and is expected to be paid in-full by June 30 of the following year.

NOTE 8 RETIREMENT PLAN

The Organization’s employees participate in a salary reduction 403(b) retirement plan to which they can contribute at their discretion. All employees are eligible to participate in the plan after an introductory period of ninety days. There were no employer contributions to the plan made by the Organization for 2020 and 2019.

NOTE 9 LEASE AGREEMENTS

The Organization leases office space on a month-to-month basis for its main office area. The Organization also leases additional office space for the home care aide training program that expires in 2021. The lease was renewed in 2021 for 5 years. The lease requires monthly rental payments that escalate over the term of the lease.

Future annual minimum lease payments at December 31, 2020 were:

2021	\$ 20,436
2022	20,994
2023	21,765
2024	22,554
2025	23,337
Thereafter	5,883
	\$ 114,969

Rent expense for these leases included in the statement of functional expenses for the year ended December 31, 2020 and 2019 was \$85,904 and \$84,732, respectively.

MERCY NEIGHBORHOOD MINISTRIES, INC.

Notes to Financial Statements (Continued)

NOTE 10 RISKS AND UNCERTAINTIES

The Organization's investments consist of items noted in Note 4. Investment securities are exposed to various risks, such as credit, market, and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2020. However, the diversification of the Organization's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Board of Directors with advice and assistance from investment professionals.

NOTE 11 PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 9, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program (the "Program"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security's Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$209,500 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.00% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Program including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization.

The PPP Loan was forgiven on November 23, 2020 in full. The Organization recognized the funds as revenue for the year ended December 31, 2020 and are included in miscellaneous revenues on the statement of activities.

NOTE 12 COVID-19 PANDEMIC

On March 11, 2020 the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-screening quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact on many sectors of the economy.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization's operations and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which the Organization operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 13 SUBSEQUENT EVENTS

On January 23, 2021, the Organization entered into a term note pursuant to the Paycheck Protection Program Second Round (the "Program") for \$205,377. All or a portion of the note may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the initial 12-month deferral period after issuance. After the initial 12-month deferral period expires, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 48 equal installments of principal and interest. The Organization intends on applying for forgiveness once the funds are utilized for expenses permitted by the Program.