

# **Mercy Neighborhood Ministries, Inc.**

**Financial Statements  
December 31, 2021 and 2020, and  
Independent Auditors' Report**

**MERCY NEIGHBORHOOD MINISTRIES, INC.**  
**December 31, 2021 and 2020**

**Contents**

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## Independent Auditors' Report

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

### Opinion

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, 2021 and 2020, and 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 financial statements referred to above present fairly, in all material respects, the financial position of Mercy Neighborhood Ministries, Inc. 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. 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 Mercy Neighborhood Ministries, Inc. 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 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.

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 Mercy Neighborhood Ministries, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' 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 generally accepted auditing standards 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.

## BARNES DENNIG

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In performing an audit in accordance with generally accepted auditing standards, 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 Mercy Neighborhood Ministries Inc.'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 Mercy Neighborhood Ministries Inc.'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.

*Barnes, Dennig & Co., Ltd.*

July 14, 2022  
Crestview Hills, Kentucky

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Statements of Financial Position  
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 975,166	\$ 1,154,340
Restricted cash held for eligible tenants	42,434	127,686
Accounts receivable	44,493	83,867
Contributions receivable - related party	17,498	17,498
Prepaid expenses and other assets	23,397	23,794
Investments	3,093,722	2,189,711
Property and equipment, net	22,991	41,172
	<u>4,219,701</u>	<u>3,638,068</u>
Total assets	<u>\$ 4,219,701</u>	<u>\$ 3,638,068</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 4,209	\$ 5,372
Assets held for others	19,689	66,715
Accrued expenses	92,520	123,392
Deferred revenue	13,500	-
	<u>129,918</u>	<u>195,479</u>
Total liabilities	<u>129,918</u>	<u>195,479</u>
<b>Net Assets</b>		
Without donor restrictions	3,917,961	3,208,008
With donor restrictions	171,822	234,581
	<u>4,089,783</u>	<u>3,442,589</u>
Total net assets	<u>4,089,783</u>	<u>3,442,589</u>
Total liabilities and net assets	<u>\$ 4,219,701</u>	<u>\$ 3,638,068</u>

See accompanying notes to financial statements

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Statement of Activities  
Year Ended December 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, gains and other support</b>			
Program service income	\$ 604,716	\$ -	\$ 604,716
Grant revenue	190,640	148,500	339,140
Contributions	400,470	-	400,470
Donated services and materials	113,947	-	113,947
Special events	89,356	-	89,356
Investment return, net	399,208	-	399,208
Miscellaneous	222,292	-	222,292
Net assets released from restrictions	211,259	(211,259)	-
	<u>2,231,888</u>	<u>(62,759)</u>	<u>2,169,129</u>
Total revenue, gains and other support			
<b>Expenses</b>			
Program expenses	1,256,027	-	1,256,027
Management and general	143,021	-	143,021
Fundraising	122,887	-	122,887
	<u>1,521,935</u>	<u>-</u>	<u>1,521,935</u>
Total expenses			
<b>Change in net assets</b>	709,953	(62,759)	647,194
<b>Net assets, beginning of year</b>	<u>3,208,008</u>	<u>234,581</u>	<u>3,442,589</u>
<b>Net assets, end of year</b>	<u><u>\$ 3,917,961</u></u>	<u><u>\$ 171,822</u></u>	<u><u>\$ 4,089,783</u></u>

See accompanying notes to financial statements

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, gains and other support</b>			
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)	-
	<u>2,282,039</u>	<u>8,898</u>	<u>2,290,937</u>
<b>Expenses</b>			
Program expenses	1,309,919	-	1,309,919
Management and general	130,771	-	130,771
Fundraising	114,199	-	114,199
	<u>1,554,889</u>	<u>-</u>	<u>1,554,889</u>
<b>Change in net assets</b>	727,150	8,898	736,048
<b>Net assets, beginning of year</b>	<u>2,480,858</u>	<u>225,683</u>	<u>2,706,541</u>
<b>Net assets, end of year</b>	<u><u>\$ 3,208,008</u></u>	<u><u>\$ 234,581</u></u>	<u><u>\$ 3,442,589</u></u>

See accompanying notes to financial statements

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Statement of Functional Expenses  
Year Ended December 31, 2021**

	<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	\$ 349,132	\$ 261,867	\$ 90,818	\$ 138,854	\$ 74,930	\$ -	\$ 915,601	\$ 94,621	\$ 103,132	\$ 1,113,354
Occupancy	13,395	40,911	17,514	11,396	11,396	-	94,612	6,064	-	100,676
Program	2,936	11,141	2,011	392	824	-	17,304	-	-	17,304
Professional services	3,079	1,233	1,445	3,657	3,488	-	12,902	21,843	616	35,361
Donated services and materials	-	-	99,270	4,937	9,740	-	113,947	-	-	113,947
Depreciation	3,636	2,727	2,727	3,636	3,636	-	16,362	1,820	-	18,182
Miscellaneous	4,217	19,580	3,107	3,802	4,609	6,327	41,642	10,321	4,829	56,792
Travel	8,704	13	210	709	73	-	9,709	-	35	9,744
Communications	2,626	5,247	2,496	3,161	2,702	-	16,232	1,945	456	18,633
Special event expenses	-	-	-	-	-	-	-	-	10,915	10,915
Insurance	2,172	2,530	1,098	1,623	1,098	-	8,521	5,197	-	13,718
Printing and postage	561	723	604	467	295	-	2,650	534	1,964	5,148
Equipment lease	1,192	1,085	586	736	936	-	4,535	358	757	5,650
Supplies	741	632	135	264	238	-	2,010	318	183	2,511
	<u>\$ 392,391</u>	<u>\$ 347,689</u>	<u>\$ 222,021</u>	<u>\$ 173,634</u>	<u>\$ 113,965</u>	<u>\$ 6,327</u>	<u>\$ 1,256,027</u>	<u>\$ 143,021</u>	<u>\$ 122,887</u>	<u>\$ 1,521,935</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.**

**Statements of Cash Flows  
Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 647,194	\$ 736,048
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	18,182	15,351
Non-cash donation of property and equipment	-	(13,909)
Realized and unrealized gain on investments	(327,502)	(283,249)
Disbursements of cash held for eligible tenants in agency transactions	(47,026)	(88,535)
Debt forgiveness	(205,377)	(209,500)
Changes in:		
Accounts receivable	39,374	(16,585)
Prepaid expenses and other assets	397	(5,460)
Accounts payable	(1,163)	(4,616)
Accrued expenses	(30,872)	38,923
Deferred revenue	13,500	-
Net cash provided by operating activities	106,707	168,468
<b>Cash flows from investing activities</b>		
Purchase of investments	(576,510)	(42,695)
Proceeds from sale of investments	-	250,000
Net cash provided by (used in) investing activities	(576,510)	207,305
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt	205,377	209,500
Net cash provided by financing activities	205,377	209,500
<b>Net change in cash, cash equivalents, and restricted cash</b>	(264,426)	585,273
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	1,282,026	696,753
<b>Cash, cash equivalents, and restricted cash, end of year</b>	\$ 1,017,600	\$ 1,282,026

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, 2021 and 2020, 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.

At December 31, 2021, cash and cash equivalents of \$975,166 and cash held for others of \$42,434 reported within the statement of financial position sum to the total of \$1,017,600 which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows. 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.

## 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, 2021 and 2020 since the Organization expects no material losses. Accounts receivable at December 31, 2019 was \$67,282.

##### ***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 \$113,947 and \$145,308, were received from various staff to the Organization during 2021 and 2020, 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>2021</u>	<u>2020</u>
Program service income - exchange transaction	\$ 344,490	\$ 356,606
Program service income - conditional contribution	<u>260,226</u>	<u>166,328</u>
	<u>\$ 604,716</u>	<u>\$ 522,934</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 Financial Accounting Standards Board (“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.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard presents transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy, and qualitative information about monetization and utilization, description of valuation techniques and inputs used to arrive at a fair value measure, and donor-imposed restrictions associated with the contributed nonfinancial assets. This standard will be effective the Organization’s fiscal year ending December 31, 2022.

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

***Subsequent Events***

Subsequent events have been evaluated through July 14, 2022, 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>2021</u>	<u>2020</u>
Cash and restricted cash	\$ 1,017,600	1,282,026
Accounts and contributions receivable	61,991	101,365
Investments	<u>3,093,722</u>	<u>2,189,711</u>
Total financial assets	<u>4,173,313</u>	<u>3,573,102</u>
Assets with temporary restrictions	(171,822)	(234,581)
Fiscal agent funds (iMap)	<u>(19,689)</u>	<u>(66,715)</u>
Financial assets available for general expenditure	<u>\$ 3,981,802</u>	<u>\$ 3,271,806</u>

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Notes to Financial Statements  
(Continued)**

**NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)**

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.

**NOTE 3 PROPERTY AND EQUIPMENT**

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

	2021	2020
Equipment	\$ 164,343	\$ 164,343
Leasehold improvements	143,385	143,385
	307,728	307,728
Less accumulated depreciation	(284,737)	(266,556)
	\$ 22,991	\$ 41,172

**NOTE 4 INVESTMENTS AT FAIR VALUE**

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

	2021	2020
<b>Level 1:</b>		
Equity securities	\$ 1,330,778	\$ 744,377
Equity mutual funds	977,153	861,666
Fixed income mutual funds	594,514	392,736
Other securities and mutual funds	72,409	54,824
<b>Level 2:</b>		
Money market funds	118,868	136,108
	\$ 3,093,722	\$ 2,189,711

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, 2021 and 2020.



**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Notes to Financial Statements  
(Continued)**

**NOTE 5 LINE OF CREDIT**

In 2020, the Organization entered into a \$250,000 line of credit agreement. As of December 31, 2021 and 2020 there was \$-0- borrowed against this line. Any interest is payable monthly at the prime rate (3.25% at December 31, 2021). The line of credit agreement expires on October 8, 2022.

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
Crisis Assistance	\$ 99,069	\$ 90,792
Home Care	41,066	105,216
General education program	13,024	26,129
Other	18,663	12,444
	<u>\$ 171,822</u>	<u>\$ 234,581</u>

**NOTE 7 RELATED PARTY TRANSACTIONS**

The Community committed to providing \$35,000 to the Organization during both 2021 and 2020, 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, 2021 and 2020 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 2021 and 2020. The plan was terminated effective January 1, 2022. A SIMPLE IRA Plan will be effective beginning January 1, 2022.

**NOTE 9 LEASE AGREEMENTS**

The Organization leases office equipment with monthly payments of \$416 ending in January 2023. The Organization also 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.

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Notes to Financial Statements  
(Continued)**

**NOTE 9 LEASE AGREEMENTS (CONTINUED)**

Future annual minimum lease payments at December 31, 2021 were:

2022	\$ 85,470
2023	81,665
2024	82,038
2025	82,821
2026	<u>5,883</u>
	<u>\$ 337,877</u>

Rent expense for these leases included in the statement of functional expenses for the year ended December 31, 2021 and 2020 was \$86,967 and \$85,904, respectively.

**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, 2021. 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) LOANS**

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.

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.

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Notes to Financial Statements  
(Continued)**

**NOTE 11 PAYCHECK PROTECTION PROGRAM (PPP) LOANS (CONTINUED)**

This PPP loan was forgiven on September 24, 2021 in full. The Organization recognized the funds as revenue for the year ended December 31, 2021 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.