

Mercy Neighborhood Ministries, Inc.

**Financial Statements
December 31, 2023 and 2022, and
Independent Auditors' Report**

MERCY NEIGHBORHOOD MINISTRIES, INC.
December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.'s 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.

**Independent Auditors' Report
(Continued)**

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 1, 2024
Crestview Hills, Kentucky

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statements of Financial Position
December 31, 2023 and 2022**

	2023	2022
Assets		
Cash and cash equivalents	\$ 867,257	\$ 727,633
Restricted cash held for eligible tenants	3,726	8,175
Accounts receivable	42,194	5,197
Contributions receivable - related party	20,000	20,000
Prepaid expenses and other assets	20,555	27,192
Investments	3,346,898	2,948,776
Property and equipment, net	34,353	15,374
Right of use assets, net - operating leases	49,289	71,128
	<u>\$ 4,384,272</u>	<u>\$ 3,823,475</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 12,958	\$ 8,691
Assets held for others	305	701
Accrued expenses	61,054	60,385
Lease liabilities - operating leases	51,016	72,377
	<u>125,333</u>	<u>142,154</u>
Net Assets		
Without donor restrictions	4,040,763	3,586,777
With donor restrictions	218,176	94,544
	<u>4,258,939</u>	<u>3,681,321</u>
Total net assets	<u>4,258,939</u>	<u>3,681,321</u>
Total liabilities and net assets	<u>\$ 4,384,272</u>	<u>\$ 3,823,475</u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statement of Activities
Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Program service income	\$ 391,562	\$ -	\$ 391,562
Grant revenue	224,784	288,273	513,057
Contributions	443,833	-	443,833
Donated services and materials	93,822	-	93,822
Special events	103,097	-	103,097
Investment return, net	413,391	-	413,391
Miscellaneous	1,074	-	1,074
Net assets released from restrictions	164,641	(164,641)	-
	<u>1,836,204</u>	<u>123,632</u>	<u>1,959,836</u>
Total revenue, gains and other support			
	<u>1,836,204</u>	<u>123,632</u>	<u>1,959,836</u>
Expenses			
Program expenses	1,094,745	-	1,094,745
Management and general	154,588	-	154,588
Fundraising	132,885	-	132,885
	<u>1,382,218</u>	<u>-</u>	<u>1,382,218</u>
Total expenses			
	<u>1,382,218</u>	<u>-</u>	<u>1,382,218</u>
Change in net assets	453,986	123,632	577,618
Net assets, beginning of year	<u>3,586,777</u>	<u>94,544</u>	<u>3,681,321</u>
Net assets, end of year	<u>\$ 4,040,763</u>	<u>\$ 218,176</u>	<u>\$ 4,258,939</u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statement of Activities
Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Program service income	\$ 319,401	\$ -	\$ 319,401
Grant revenue	307,131	138,498	445,629
Contributions	538,743	-	538,743
Donated services and materials	96,337	-	96,337
Special events	73,711	-	73,711
Investment return, net	(544,517)	-	(544,517)
Miscellaneous	12,792	-	12,792
Net assets released from restrictions	215,776	(215,776)	-
	<hr/>	<hr/>	<hr/>
Total revenue, gains and other support	1,019,374	(77,278)	942,096
	<hr/>	<hr/>	<hr/>
Expenses			
Program expenses	1,090,216	-	1,090,216
Management and general	155,126	-	155,126
Fundraising	105,216	-	105,216
	<hr/>	<hr/>	<hr/>
Total expenses	1,350,558	-	1,350,558
	<hr/>	<hr/>	<hr/>
Change in net assets	(331,184)	(77,278)	(408,462)
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	3,917,961	171,822	4,089,783
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 3,586,777</u>	<u>\$ 94,544</u>	<u>\$ 3,681,321</u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statement of Functional Expenses
Year Ended December 31, 2023**

	<u>Home Health</u>	<u>HCAT/STNA</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	\$ -	\$ 351,082	\$ 114,297	\$ 217,093	\$ 91,825	\$ -	\$ 774,297	\$ 102,460	\$ 80,309	\$ 957,066
Occupancy	-	46,406	18,800	18,686	18,691	-	102,583	4,043	-	106,626
Program	-	13,010	2,870	326	551	-	16,757	-	-	16,757
Professional services	-	4,337	2,179	5,456	5,401	-	17,373	29,815	807	47,995
Donated services and materials	-	-	93,822	-	-	-	93,822	-	-	93,822
Depreciation	-	2,527	1,149	3,101	3,560	-	10,337	1,149	-	11,486
Miscellaneous	-	25,901	2,847	2,536	11,922	2,335	45,541	9,649	23,376	78,566
Travel	-	50	291	439	17	-	797	150	100	1,047
Communications	-	5,216	2,184	2,932	2,932	-	13,264	2,591	1,047	16,902
Special event	-	-	-	-	-	-	-	-	24,181	24,181
Insurance	-	2,896	2,596	3,101	3,265	-	11,858	3,612	-	15,470
Printing and postage	-	1,044	298	573	602	-	2,517	373	2,280	5,170
Equipment	-	1,521	597	597	1,521	-	4,236	345	714	5,295
Supplies	-	460	216	364	323	-	1,363	401	71	1,835
	<u>\$ -</u>	<u>\$ 454,450</u>	<u>\$ 242,146</u>	<u>\$ 255,204</u>	<u>\$ 140,610</u>	<u>\$ 2,335</u>	<u>\$ 1,094,745</u>	<u>\$ 154,588</u>	<u>\$ 132,885</u>	<u>\$ 1,382,218</u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statement of Functional Expenses
Year Ended December 31, 2022**

	<u>Home Health</u>	<u>HCAT/STNA</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	\$ 166,358	\$ 280,766	\$ 95,065	\$ 155,789	\$ 80,544	\$ -	\$ 778,522	\$ 113,701	\$ 81,240	\$ 973,463
Occupancy	13,536	40,831	17,201	11,340	11,340	-	94,248	7,480	-	101,728
Program	730	15,602	4,451	700	665	-	22,148	-	-	22,148
Professional services	3,111	1,411	1,684	4,431	4,403	-	15,040	19,283	868	35,191
Donated services and materials	-	-	91,400	4,937	-	-	96,337	-	-	96,337
Depreciation	2,323	1,742	1,742	2,323	2,323	-	10,453	1,161	-	11,614
Miscellaneous	3,763	12,909	2,644	3,324	3,710	8,350	34,700	8,062	11,264	54,026
Travel	2,019	45	294	1,560	-	-	3,918	-	-	3,918
Communications	2,557	5,103	2,088	2,958	2,473	-	15,179	1,611	454	17,244
Special event	-	-	-	-	-	-	-	-	9,363	9,363
Insurance	3,065	3,343	1,710	2,123	1,537	-	11,778	2,718	-	14,496
Printing and postage	444	705	471	362	204	-	2,186	500	1,191	3,877
Equipment	1,193	1,095	596	746	945	-	4,575	364	763	5,702
Supplies	189	253	95	302	293	-	1,132	246	73	1,451
	<u>\$ 199,288</u>	<u>\$ 363,805</u>	<u>\$ 219,441</u>	<u>\$ 190,895</u>	<u>\$ 108,437</u>	<u>\$ 8,350</u>	<u>\$ 1,090,216</u>	<u>\$ 155,126</u>	<u>\$ 105,216</u>	<u>\$ 1,350,558</u>

See accompanying notes to financial statements

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Statements of Cash Flows
Years Ended December 31, 2023 and 2022**

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 577,618	\$ (408,462)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	11,485	11,614
Realized and unrealized (gains) losses on investments	(332,886)	622,815
Disbursements of cash held for eligible tenants in agency transactions	(396)	(18,988)
Non-cash lease expense	478	1,249
Changes in:		
Accounts receivable	(36,997)	39,296
Contributions receivable - related party	-	(2,502)
Prepaid expenses and other assets	6,637	(3,795)
Accounts payable	4,267	4,482
Accrued expenses	669	(32,135)
Deferred revenue	-	(13,500)
	230,875	200,074
Cash flows from investing activities		
Purchase of property and equipment	(30,464)	(3,997)
Purchase of investments	(271,118)	(485,075)
Proceeds from sale of investments	205,882	7,206
	(95,700)	(481,866)
Net change in cash, cash equivalents, and restricted cash	135,175	(281,792)
Cash, cash equivalents, and restricted cash, beginning of year	735,808	1,017,600
Cash, cash equivalents, and restricted cash, end of year	\$ 870,983	\$ 735,808

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, 2023 and 2022, 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, 2023, cash and cash equivalents of \$867,257 and cash held for others of \$3,726 reported within the statement of financial position sum to the total of \$870,983 which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows. At December 31, 2022, cash and cash equivalents of \$727,633 and cash held for others of \$8,175 reported within the statement of financial position sum to the total of \$735,808, 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 credit losses. 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 credit losses based on the Organization's collection history, the financial stability and recent payment history of the customer, current economic factors and other pertinent factors. Receivables are written off after the Organization has used reasonable collection efforts and deems them uncollectible. Based on this criteria, no allowance for credit losses has been provided at December 31, 2023 and 2022. Accounts receivable at December 31, 2021 was \$44,493.

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)**

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>2023</u>	<u>2022</u>
Program service income - exchange transaction	\$ 58,785	\$ 100,552
Program service income - conditional contribution	<u>332,777</u>	<u>218,849</u>
	<u>\$ 391,562</u>	<u>\$ 319,401</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.

Leases

Mercy Neighborhood Ministries, Inc. has lease agreements with lease and non-lease components, which are generally accounted for separately. The Organization accounts for the lease and non-lease components as a single lease component.

As most of Mercy Neighborhood Ministries, Inc.'s leases do not provide an implicit rate, the Organization uses a risk-free rate based on information available at commencement date in determining the present value of lease payments. Mercy Neighborhood Ministries, Inc. also elected to apply the short-term lease exemption to all its classes of assets.

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.

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

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

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.

Donated Services

The Organization records donated services as revenues in the period received only if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Effect of Adopting New Accounting Standards

In June 2016, the Financial Accounting Standards Board issued guidance (FASB ASC 326: *Financial Instruments-Credit Losses*) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

Subsequent Events

Subsequent events have been evaluated through July 1, 2024, which is the date the financial statements were available to be issued.

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

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:

	2023	2022
Cash and restricted cash	\$ 870,983	\$ 735,808
Accounts and contributions receivable	62,194	25,197
Investments	3,346,898	2,948,776
Total financial assets	4,280,075	3,709,781
Net assets with donor restrictions	(218,176)	(94,544)
Assets held for others	(305)	(701)
Financial assets available for general expenditure	\$ 4,061,594	\$ 3,614,536

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:

	2023	2022
Equipment	\$ 198,805	\$ 168,341
Leasehold improvements	143,385	143,385
	342,190	311,726
Less accumulated depreciation	(307,837)	(296,352)
	\$ 34,353	\$ 15,374

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 4 INVESTMENTS AT FAIR VALUE

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

	2023	2022
Level 1:		
Equity securities	\$ 1,437,637	\$ 1,302,528
Equity mutual funds	1,025,235	642,838
Fixed income mutual funds	662,479	694,320
Other securities and mutual funds	51,580	47,003
Level 2:		
Money market funds	169,967	262,087
	\$ 3,346,898	\$ 2,948,776

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, 2023 and 2022.

NOTE 5 LINE OF CREDIT

The Organization has a \$250,000 line of credit agreement. As of December 31, 2023 and 2022 there was \$-0- borrowed against this line. Any interest is payable monthly at the prime rate (8.50% at December 31, 2023). The line of credit agreement expires on October 8, 2024.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Home Care	\$ 156,554	\$ 31,066
Crisis Assistance	49,792	49,792
General education program	11,830	13,521
Other	-	165
	\$ 218,176	\$ 94,544

MERCY NEIGHBORHOOD MINISTRIES, INC.

Notes to Financial Statements (Continued)

NOTE 7 RELATED PARTY TRANSACTIONS

The Community committed to providing \$40,000 to the Organization during both the years ending December 31, 2023 and 2022, 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, 2023 and 2022 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

A Simple IRA Plan began on January 1, 2022. The Organization's employees with one preceding year of at least \$5,000 in compensation are able to participate in the plan. The employer can contribute up to 3% of employee compensation. The Organization contributed \$16,718 and \$10,548 to the plan during the years ended December 31, 2023 and 2022, respectively.

NOTE 9 LEASE AGREEMENTS

The Company has operating leases for office space and office equipment with remaining lease terms through March 2026. As of December 31, 2023 and 2022, the operating lease ROU assets were \$49,289 and \$71,128, respectively. As of December 31, 2023 and 2022, the operating lease liabilities related to these leases was \$51,016 and \$72,377, respectively. Additionally, there is a short-term lease agreement for office space and a copier that had total payments of \$67,561 and \$61,114 in 2023 and 2022, respectively. The total lease expense under these agreements were \$92,573 and \$90,454 for 2023 and 2022, respectively.

The components of lease expense were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease expense	\$ 22,659	\$ 27,235
Short-term lease expense	67,561	61,114
Variable lease expense	2,353	2,105

Other information related to leases was as follows:

	<u>2023</u>	<u>2022</u>
Operating cash flows	\$ 22,181	\$ 25,986
Weighted average remaining lease term	2.30 years	3.33 years
Weighted average discount rate	1.36%	1.36%

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 9 LEASE AGREEMENTS (CONTINUED)

Future minimum lease payments under non-cancellable leases as of December 31, 2023 were as follows:

2024	\$ 22,555
2025	23,337
2026	<u>5,883</u>
Total future minimum lease payments	51,775
Less imputed interest	<u>(759)</u>
Lease liabilities	<u>\$ 51,016</u>

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, 2023. 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 CONTRIBUTED NONFINANCIAL ASSETS

Mercy Neighborhood Ministries, Inc. receives nonfinancial contributions that are recognized within revenues and expenses on the statement of activities. Contributed nonfinancial assets include contributed education and support services, donated food for the pantry, and Christmas gifts. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions and are used in Mercy Neighborhood Ministries, Inc.'s general programs.

Contributed services are recognized at their estimated fair value if they create or enhance nonfinancial assets, or they require specialized skills that would need to be purchased if they were not donated. The fair value of contributed services are estimated at the standard hourly rates for the employees of Mercy Neighborhood Ministries, Inc. The Organization recognized contributed services of \$1,305 and \$6,242 in 2023 and 2022, respectively.

Contributed food is donated to Mercy Neighborhood Ministries, Inc.'s pantry to assist with food insecurity in the area that they service. Mercy Neighborhood Ministries, Inc. estimated the fair value by using an approximate average wholesale value per pound, which was determined to be \$2.21, which was provided by Freestore Foodbank. Mercy Neighborhood Ministries, Inc. recognized contributed food for its pantry of \$85,937 and \$85,495 in 2023 and 2022, respectively.

MERCY NEIGHBORHOOD MINISTRIES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 11 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

Mercy Neighborhood Ministries, Inc. conducts Christmas drives to provide gifts to those who may not receive gifts during the holidays. The Organization received donated Christmas gifts where the value was determined by their fair market value by comparing online prices. Mercy Neighborhood Ministries, Inc. recognized in-kind donations of \$6,580 and \$4,600 in 2023 and 2022, respectively, related to its Christmas drive.