

# **Mercy Neighborhood Ministries, Inc.**

**Financial Statements  
December 31, 2024 and 2023, and  
Independent Auditors' Report**

**MERCY NEIGHBORHOOD MINISTRIES, INC.**  
**December 31, 2024 and 2023**

**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, 2024 and 2023, 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, 2024 and 2023, 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 11, 2025  
Crestview Hills, Kentucky

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Statements of Financial Position  
December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 798,994	\$ 867,257
Restricted cash held for eligible tenants	4,855	3,726
Accounts receivable	47,088	42,194
Contributions receivable - related party	20,000	20,000
Prepaid expenses and other assets	19,653	20,555
Investments	3,773,898	3,346,898
Property and equipment, net	37,583	34,353
Right of use assets, net - operating leases	42,047	49,289
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 4,744,118</u>	<u>\$ 4,384,272</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,755	\$ 12,958
Assets held for others	209	305
Accrued expenses	34,614	61,054
Lease liabilities - operating leases	43,768	51,016
	<u>          </u>	<u>          </u>
Total liabilities	<u>86,346</u>	<u>125,333</u>
 <b>Net Assets</b>		
Without donor restrictions	4,586,617	4,040,763
With donor restrictions	71,155	218,176
	<u>          </u>	<u>          </u>
Total net assets	<u>4,657,772</u>	<u>4,258,939</u>
	<u>          </u>	<u>          </u>
Total liabilities and net assets	<u>\$ 4,744,118</u>	<u>\$ 4,384,272</u>

See accompanying notes to financial statements

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Statement of Activities  
Year Ended December 31, 2024**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, gains and other support</b>			
Program service income	\$ 354,329	\$ -	\$ 354,329
Grant revenue	232,790	158,100	390,890
Contributions	467,791	-	467,791
Donated services and materials	128,963	-	128,963
Special events	123,281	-	123,281
Investment return, net	399,292	-	399,292
Miscellaneous	1,841	-	1,841
Net assets released from restrictions	305,121	(305,121)	-
	<u>2,013,408</u>	<u>(147,021)</u>	<u>1,866,387</u>
Total revenue, gains and other support			
	<u>2,013,408</u>	<u>(147,021)</u>	<u>1,866,387</u>
<b>Expenses</b>			
Program expenses	1,146,438	-	1,146,438
Management and general	190,139	-	190,139
Fundraising	130,977	-	130,977
	<u>1,467,554</u>	<u>-</u>	<u>1,467,554</u>
Total expenses			
	<u>1,467,554</u>	<u>-</u>	<u>1,467,554</u>
<b>Change in net assets</b>	545,854	(147,021)	398,833
<b>Net assets, beginning of year</b>	<u>4,040,763</u>	<u>218,176</u>	<u>4,258,939</u>
<b>Net assets, end of year</b>	<u><u>\$ 4,586,617</u></u>	<u><u>\$ 71,155</u></u>	<u><u>\$ 4,657,772</u></u>

See accompanying notes to financial statements

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, gains and other support</b>			
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>
<b>Expenses</b>			
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>
<b>Change in net assets</b>	453,986	123,632	577,618
<b>Net assets, beginning of year</b>	<u>3,586,777</u>	<u>94,544</u>	<u>3,681,321</u>
<b>Net assets, end of year</b>	<u><u>\$ 4,040,763</u></u>	<u><u>\$ 218,176</u></u>	<u><u>\$ 4,258,939</u></u>

See accompanying notes to financial statements

**MERCY NEIGHBORHOOD MINISTRIES, INC.**

**Statement of Functional Expenses  
Year Ended December 31, 2024**

	<b>HCAT/STNA</b>	<b>Senior and Support Services</b>	<b>Education</b>	<b>Hospital Workers Readiness Program</b>	<b>Community Partner Services</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Personnel	\$ 378,140	\$ 131,430	\$ 158,676	\$ 108,837	\$ -	\$ 777,083	\$ 113,189	\$ 76,791	\$ 967,063
Occupancy	44,281	18,978	19,066	18,782	-	101,107	3,354	-	104,461
Program	11,783	2,450	488	836	-	15,557	-	-	15,557
Professional services	3,199	1,629	3,822	3,638	-	12,288	43,476	1,180	56,944
Donated services and materials	-	128,963	-	-	-	128,963	-	-	128,963
Depreciation	2,252	1,024	2,763	3,173	-	9,212	1,024	-	10,236
Miscellaneous	24,556	2,808	15,923	12,266	2,671	58,224	21,563	20,290	100,077
Travel	-	-	-	-	-	-	361	46	407
Communications	5,588	2,643	2,424	1,606	-	12,261	2,515	667	15,443
Special event	-	-	-	-	-	-	-	29,551	29,551
Insurance	14,469	2,694	3,211	3,365	-	23,739	3,745	-	27,484
Printing and postage	1,005	263	359	559	-	2,186	374	1,495	4,055
Equipment	1,508	594	594	1,508	-	4,204	342	708	5,254
Supplies	756	201	319	338	-	1,614	196	249	2,059
	<u>\$ 487,537</u>	<u>\$ 293,677</u>	<u>\$ 207,645</u>	<u>\$ 154,908</u>	<u>\$ 2,671</u>	<u>\$ 1,146,438</u>	<u>\$ 190,139</u>	<u>\$ 130,977</u>	<u>\$ 1,467,554</u>

See accompanying notes to financial statements



**MERCY NEIGHBORHOOD MINISTRIES, INC.**

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

	<b>HCAT/STNA</b>	<b>Senior and Support Services</b>	<b>Education</b>	<b>Hospital Workers Readiness Program</b>	<b>Community Partner Services</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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>\$ 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.**

**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 398,833	\$ 577,618
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	10,235	11,485
Realized and unrealized gains on investments	(222,042)	(332,886)
Disbursements of cash held for eligible tenants in agency transactions	(96)	(396)
Non-cash lease expense	(6)	478
Changes in:		
Accounts receivable	(4,894)	(36,997)
Prepaid expenses and other assets	902	6,637
Accounts payable	(5,203)	4,267
Accrued expenses	(26,440)	669
	<u>151,289</u>	<u>230,875</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(13,465)	(30,464)
Purchase of investments	(507,410)	(271,118)
Proceeds from sale of investments	302,452	205,882
	<u>(218,423)</u>	<u>(95,700)</u>
Net cash used in investing activities		
<b>Net change in cash, cash equivalents, and restricted cash</b>	(67,134)	135,175
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	<u>870,983</u>	<u>735,808</u>
<b>Cash, cash equivalents, and restricted cash, end of year</b>	<u><u>\$ 803,849</u></u>	<u><u>\$ 870,983</u></u>

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, 2024 and 2023, 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, 2024, cash and cash equivalents of \$798,994 and cash held for others of \$4,855 reported within the statement of financial position sum to the total of \$803,849 which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows. 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.

## **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, 2024 and 2023. Accounts receivable at December 31, 2022 was \$5,197.

##### ***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>2024</u>	<u>2023</u>
Program service income - exchange transaction	\$ 116,634	\$ 58,785
Program service income - conditional contribution	<u>237,695</u>	<u>332,777</u>
	<u>\$ 354,329</u>	<u>\$ 391,562</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.

##### *Subsequent Events*

Subsequent events have been evaluated through July 11, 2025, 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>2024</u>	<u>2023</u>
Cash and restricted cash	\$ 803,849	\$ 870,983
Accounts and contributions receivable	67,088	62,194
Investments	<u>3,773,898</u>	<u>3,346,898</u>
Total financial assets	<u>4,644,835</u>	<u>4,280,075</u>
Net assets with donor restrictions	(71,155)	(218,176)
Assets held for others	<u>(209)</u>	<u>(305)</u>
Financial assets available for general expenditure	<u><u>\$ 4,573,471</u></u>	<u><u>\$ 4,061,594</u></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:

	2024	2023
Equipment	\$ 212,271	\$ 198,805
Leasehold improvements	143,385	143,385
	355,656	342,190
Less accumulated depreciation	(318,073)	(307,837)
	<u>\$ 37,583</u>	<u>\$ 34,353</u>

**NOTE 4 INVESTMENTS AT FAIR VALUE**

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

	2024	2023
<b>Level 1:</b>		
Equity mutual funds	\$ 1,421,658	\$ 1,025,235
Equity securities	1,296,219	1,437,637
Fixed income mutual funds	735,973	662,479
Other securities and mutual funds	46,103	51,580
<b>Level 2:</b>		
Money market funds	273,945	169,967
	<u>\$ 3,773,898</u>	<u>\$ 3,346,898</u>

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, 2024 and 2023.

**NOTE 5 LINE OF CREDIT**

The Organization has a \$250,000 line of credit agreement. As of December 31, 2024 and 2023 there was \$-0- borrowed against this line. Any interest is payable monthly at the prime rate (7.50% at December 31, 2024). The line of credit agreement expires on November 25, 2025.



## 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:

	2024	2023
HWRP	\$ 33,000	\$ 70,000
Remake of HCA area	18,956	18,956
Senior Services	11,199	-
Pantry	7,000	10,000
STNA	1,000	119,220
	<u>\$ 71,155</u>	<u>\$ 218,176</u>

#### NOTE 7 RELATED PARTY TRANSACTIONS

The Community committed to providing \$40,000 to the Organization during both the years ending December 31, 2024 and 2023, 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, 2024 and 2023 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 \$16,841 and \$16,718 to the plan during the years ended December 31, 2024 and 2023, respectively.

#### NOTE 9 LEASE AGREEMENTS

The Company has operating leases for office space and office equipment with remaining lease terms through March 2026 and September 2028, respectively. As of December 31, 2024 and 2023, the operating lease ROU assets were \$42,047 and \$49,289, respectively. As of December 31, 2024 and 2023, the operating lease liabilities related to these leases was \$43,768 and \$51,016, respectively. Additionally, there is a short-term lease agreement for office space and a copier that had total payments of \$67,515 and \$67,561 in 2024 and 2023, respectively. The total lease expense under these agreements were \$93,279 and \$92,573 for 2024 and 2023, respectively.

The components of lease expense were as follows:

	2024	2023
Operating lease expense	\$ 23,283	\$ 22,659
Short-term lease expense	65,034	67,561
Variable lease expense	2,481	2,353

Other information related to leases was as follows:

	2024	2023
Operating cash flows	\$ 23,604	\$ 22,181
Weighted average remaining lease term	1.63 years	2.30 years
Weighted average discount rate	2.14%	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, 2024 were as follows:

2025	\$ 27,537
2026	10,083
2027	4,200
2028	<u>3,150</u>
Total future minimum lease payments	44,970
Less imputed interest	<u>(1,202)</u>
Lease liabilities	<u>\$ 43,768</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, 2024. 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 in 2024 and 2023.

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 \$2.85, which was provided by Freestore Foodbank. Mercy Neighborhood Ministries, Inc. recognized contributed food for its pantry of \$114,188 and \$85,937 in 2024 and 2023, 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 \$13,470 and \$6,580 in 2024 and 2023, respectively, related to its Christmas drive.