



Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Mercy Medical Angels
Virginia Beach, VA

Opinion

We have audited the financial statements of Mercy Medical Angels, which comprise the statements of financial position as of June 30, 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 accompanying financial statements present fairly, in all material respects, the financial position of Mercy Medical Angels as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mercy Medical Angels and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mercy Medical Angels' ability to continue as a going concern for one year after the date of the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mercy Medical Angels' 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 Medical Angels' 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.

FORVIS, LLP

**Norfolk, VA
September 5, 2023**

Mercy Medical Angels
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash	\$ 1,226,850	\$ 1,658,773
Promises to give, net	30,387	21,975
Accounts receivable, net	64,543	65,762
Prepaid expenses	32,536	11,228
Total current assets	<u>1,354,316</u>	<u>1,757,738</u>
Noncurrent assets:		
Cash, management designated	151,700	-
Investments	966,618	419,734
Long-term promises to give, net	1,285,185	564,431
Property and equipment, net	17,545	19,770
Total noncurrent assets	<u>2,421,048</u>	<u>1,003,935</u>
Total assets	<u><u>\$ 3,775,364</u></u>	<u><u>\$ 2,761,673</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 127,138	\$ 141,164
Net assets:		
Without donor restrictions:	1,592,797	1,396,534
With donor restrictions	2,055,429	1,223,975
Total net assets	<u>3,648,226</u>	<u>2,620,509</u>
Total liabilities and net assets	<u><u>\$ 3,775,364</u></u>	<u><u>\$ 2,761,673</u></u>

Mercy Medical Angels
Statements of Activities
Year Ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and other revenue:			
Donations and grants	\$ 1,132,541	\$ 1,609,196	\$ 2,741,737
Contributed nonfinancial services	2,155,161	-	2,155,161
MOA partnership income	346,224	-	346,224
Reimbursed airline booking fees	26,276	-	26,276
Other income	19,750	-	19,750
Interest income, net of fees	9,550	7,164	16,714
Unrealized and realized gain (loss) on investments	7,191	(5,361)	1,830
Change in allowance of uncollectible promises to give	(1,623)	-	(1,623)
Total contributions and other revenue	<u>3,695,070</u>	<u>1,610,999</u>	<u>5,306,069</u>
Net assets released from restrictions	<u>779,545</u>	<u>(779,545)</u>	<u>-</u>
Total contributions and revenue	<u>4,474,615</u>	<u>831,454</u>	<u>5,306,069</u>
Expenses			
Program:			
Airline patient travel	2,041,259	-	2,041,259
Volunteer pilot patient travel	973,701	-	973,701
Ground patient travel	726,935	-	726,935
Total program services	<u>3,741,895</u>	<u>-</u>	<u>3,741,895</u>
Supporting services:			
Management and general	250,198	-	250,198
Fundraising	286,259	-	286,259
Total supporting services	<u>536,457</u>	<u>-</u>	<u>536,457</u>
Total expenses	<u>4,278,352</u>	<u>-</u>	<u>4,278,352</u>
Change in net assets	196,263	831,454	1,027,717
Net assets, beginning of year	<u>1,396,534</u>	<u>1,223,975</u>	<u>2,620,509</u>
Net assets, end of year	<u>\$ 1,592,797</u>	<u>\$ 2,055,429</u>	<u>\$ 3,648,226</u>

See accompanying notes.

Mercy Medical Angels
Statements of Activities
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and other revenue:			
Donations and grants	\$ 1,436,144	\$ 1,213,870	\$ 2,650,014
Contributed nonfinancial services	2,131,666	-	2,131,666
MOA partnership income	202,139	-	202,139
Reimbursed airline booking fees	30,446	-	30,446
Other income	9,416	-	9,416
Interest income	6,616	-	6,616
Change in allowance of uncollectible promises to give	(663)	-	(663)
Unrealized and realized loss on investments	(48,262)	-	(48,262)
Total contributions and other revenue	3,767,502	1,213,870	4,981,372
Net assets released from restrictions	316,289	(316,289)	-
Total contributions and revenue	4,083,791	897,581	4,981,372
Expenses			
Program:			
Airline patient travel	1,632,511	-	1,632,511
Volunteer pilot patient travel	1,083,998	-	1,083,998
Ground patient travel	459,465	-	459,465
Total program services	3,175,974	-	3,175,974
Supporting services:			
Management and general	182,005	-	182,005
Fundraising	281,391	-	281,391
Total supporting services	463,396	-	463,396
Total expenses	3,639,370	-	3,639,370
Change in net assets	444,421	897,581	1,342,002
Net assets, beginning of year	952,113	326,394	1,278,507
Net assets, end of year	\$ 1,396,534	\$ 1,223,975	\$ 2,620,509

See accompanying notes.

Mercy Medical Angels
Statement of Functional Expenses
Year Ended June 30, 2023

	Airline Patient Travel	Volunteer Pilot Patient Travel	Ground Patient Travel	Total Programs Services	Management and General	Fundraising	Total Support Services	Total
Patient travel - contributed	\$ 1,276,217	\$ 803,775	\$ -	\$ 2,079,992	\$ -	\$ -	\$ -	\$ 2,079,992
Salaries	372,734	62,733	306,093	741,560	86,265	122,955	209,220	950,780
Patient travel	185,319	48,331	248,952	482,602	-	-	-	482,602
Consulting	48,793	8,212	40,069	97,074	11,294	16,095	27,389	124,463
Internet expense	43,137	7,260	35,425	85,822	9,984	14,230	24,214	110,036
Special events	-	-	-	-	-	92,234	92,234	92,234
Payroll taxes	27,414	4,614	22,513	54,541	6,345	9,043	15,388	69,929
Lease cost	-	-	-	-	53,258	-	53,258	53,258
Benefits	18,192	3,062	14,939	36,193	4,210	6,001	10,211	46,404
Conferences and training	14,030	6,593	12,431	33,054	4,304	8,851	13,155	46,209
Accounting	1,657	279	1,360	3,296	34,824	546	35,370	38,666
Promotional materials	4,070	19,140	4,071	27,281	321	321	642	27,923
Advertising and outreach	10,846	1,825	8,907	21,578	2,512	3,577	6,089	27,667
Licenses and fees	10,446	1,758	8,579	20,783	2,417	3,446	5,863	26,646
Communications	7,583	1,276	6,227	15,086	1,756	2,502	4,258	19,344
Insurance expense	7,166	1,206	5,885	14,257	1,659	2,364	4,023	18,280
Legal fees	-	-	-	-	16,138	-	16,138	16,138
Office supplies	6,014	1,012	4,938	11,964	1,391	1,984	3,375	15,339
Technology - contributed	-	-	-	-	12,000	-	12,000	12,000
Miscellaneous expense	2,226	371	1,812	4,409	511	728	1,239	5,648
Postage and delivery	1,563	1,563	1,563	4,689	124	123	247	4,936
Printing and reproduction	1,752	295	1,438	3,485	405	578	983	4,468
Office utilities	1,122	189	921	2,232	260	370	630	2,862
Depreciation	872	147	716	1,735	202	288	490	2,225
Uniforms	51	51	51	153	5	5	10	163
Repairs and maintenance	55	9	45	109	13	18	31	140
Total expenses	<u>\$ 2,041,259</u>	<u>\$ 973,701</u>	<u>\$ 726,935</u>	<u>\$ 3,741,895</u>	<u>\$ 250,198</u>	<u>\$ 286,259</u>	<u>\$ 536,457</u>	<u>\$ 4,278,352</u>

See accompanying notes.

Mercy Medical Angels
Statement of Functional Expenses
Year Ended June 30, 2022

	Airline Patient Travel	Volunteer Pilot Patient Travel	Ground Patient Travel	Total Programs Services	Management and General	Fundraising	Total Support Services	Total
Patient travel - contributed	\$ 1,140,323	\$ 965,343	\$ -	\$ 2,105,666	\$ -	\$ -	\$ -	\$ 2,105,666
Salaries	329,283	59,279	199,889	588,451	83,450	157,043	240,493	828,944
Patient travel	18,810	17,560	168,743	205,113	-	-	-	205,113
Internet expense	29,511	5,313	17,914	52,738	7,479	14,075	21,554	74,292
Payroll taxes	24,274	4,370	14,735	43,379	6,151	11,577	17,728	61,107
Benefits	23,397	4,212	14,203	41,812	5,929	11,159	17,088	58,900
Consulting	22,863	4,116	13,879	40,858	5,794	10,904	16,698	57,556
Special events	-	-	-	-	-	56,891	56,891	56,891
Accounting	1,308	235	794	2,337	25,532	624	26,156	28,493
Legal fees	-	-	-	-	18,437	-	18,437	18,437
Licenses and fees	7,230	1,302	4,389	12,921	1,832	3,448	5,280	18,201
Promotional materials	2,459	11,321	2,459	16,239	194	194	388	16,627
Conferences and training	4,583	2,759	3,709	11,051	1,553	3,656	5,209	16,260
Insurance expense	6,314	1,137	3,833	11,284	1,600	3,011	4,611	15,895
Technology - contributed	-	-	-	-	12,000	-	12,000	12,000
Communications	4,579	824	2,779	8,182	1,160	2,184	3,344	11,526
Advertising and outreach	4,001	720	2,429	7,150	1,014	1,908	2,922	10,072
Office supplies	3,511	634	2,131	6,276	886	1,676	2,562	8,838
Uniforms	2,399	2,399	2,399	7,197	189	189	378	7,575
Miscellaneous expense	2,927	527	1,777	5,231	742	1,396	2,138	7,369
Lease cost	-	-	-	-	5,717	-	5,717	5,717
Printing and reproduction	1,712	308	1,040	3,060	434	817	1,251	4,311
Postage and delivery	1,335	1,335	1,335	4,005	105	106	211	4,216
Office utilities	1,022	184	621	1,827	259	487	746	2,573
Depreciation	-	-	-	-	1,524	-	1,524	1,524
Other travel expenses	574	103	349	1,026	-	-	-	1,026
Repairs and maintenance	96	17	58	171	24	46	70	241
Total expenses	\$ 1,632,511	\$ 1,083,998	\$ 459,465	\$ 3,175,974	\$ 182,005	\$ 281,391	\$ 463,396	\$ 3,639,370

See accompanying notes.

Mercy Medical Angels
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,027,717	\$ 1,342,002
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,225	1,524
Realized and unrealized (gain) loss on investments	(1,830)	48,262
Change in allowance of uncollectible promises to give	1,830	663
Contributions restricted for long-term investment	(101,500)	(251,500)
Change in:		
Promises to give, net	(730,996)	(523,905)
Accounts receivable	1,219	(65,762)
Prepaid expenses	(21,308)	(8,884)
Accounts payable and accrued expenses	(14,026)	64,861
Net cash provided by operating activities	<u>163,331</u>	<u>607,261</u>
Cash flows from investing activities:		
Proceeds from sale of investments	176,319	56,680
Purchases of investments	(721,373)	(524,676)
Purchases of property and equipment	-	(12,669)
Net cash used by investing activities	<u>(545,054)</u>	<u>(480,665)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for investment as endowment	<u>101,500</u>	<u>251,500</u>
Net change in cash	(280,223)	378,096
Cash, beginning of year	<u>1,658,773</u>	<u>1,280,677</u>
Cash, end of year	<u><u>\$ 1,378,550</u></u>	<u><u>\$ 1,658,773</u></u>
Reconciliation of cash reported on the statements of financial position:		
Cash, current	\$ 1,226,850	\$ 1,658,773
Cash, management designated	<u>151,700</u>	<u>-</u>
	<u><u>\$ 1,378,550</u></u>	<u><u>\$ 1,658,773</u></u>

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

Mercy Medical Angels (the "Organization") is an independent not-for-profit 501(c)(3) organization incorporated in 1984 in the Commonwealth of Virginia. The Organization provides a wide range of services related to the field of charitable medical transportation in the United States.

The major programs of the Organization are as follows:

Airline Patient Travel Program – When patient travel exceeds 750 miles or there are reasons a patient cannot fly on light aircraft, the Organization coordinates travel with a major airline. The Organization has partnerships with select major airlines in the United States.

Volunteer Pilot Patient Travel Program – Volunteer pilots provide flights for ambulatory outpatients traveling less than 750 miles departing from District of Columbia, Delaware, Kentucky, Maryland, Michigan, North Carolina, Ohio, Pennsylvania, Virginia, Tennessee, and West Virginia.

Ground Patient Travel Program – This program provides non-emergency, long distance ground transportation to financially stressed ambulatory patients who are traveling for treatment. A typical trip does not exceed 300 miles (one way).

2. Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The classes of net assets are described as follows:

Net assets without donor restrictions result from receiving unrestricted contributions, MOA partnership income, reimbursed airline booking fees, interest income, and income from contributed nonfinancial services. Net assets without donor restrictions are available for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions represents all contributions or unconditional promises to give, which are restricted by the donor as to purpose or are inherently time restricted (i.e. noncurrent unconditional promises to give without donor restrictions), and endowed revenue and contributions received where the corpus cannot be spent. Conditional promises to give are recognized as revenue when such conditions are met. When a donor or time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as restricted funds utilized. Investment earnings on endowed corpus, unless otherwise requested by donor, are recognized in net assets with donor restrictions and are used to fund the donor-designated programs, which generally relate to the programs and activities of the Organization.

New Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases ("Topic 842")*. This ASU requires lessees to recognize a lease liability and a right-of-use ("ROU") asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases ("Topic 842"): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., the comparatives under ASC 840 option.

The Organization adopted Topic 842 on July 1, 2022 (the "effective date"), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all leases. The Organization elected to keep short-term leases with an initial term of 12 months or less off the balance sheet. The Organization elected the practical expedient to use the risk-free rate of return, the U.S. Treasury yield, as the discount rate on all classes of assets. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

There was no significant impact to the financial statements upon adoption, since the Organization did not have any leases which would require the recognition of operating lease ROU assets and operating lease liabilities on the statements of financial position. The standard also did not significantly affect the Organization's statements of activities, functional expenses, or cash flows.

Cash and cash equivalents

The Organization considers all highly liquid investments available for current use with an original maturity of three months or less when purchased to be cash and cash equivalents.

Investments

Investments include money market funds, mutual funds, and equity funds which are stated at fair market value. The gains and losses on investments have been recognized in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations.

Accounts receivable and promises to give, net

Accounts receivable and promises to give are stated at the amount management expects to collect from balances outstanding at year-end. A portion of promises to give represent amounts due from the Combined Federal Campaign ("CFC"). The CFC makes up 76% and 40% (2023 and 2022, respectively) of gross promises to give. Based on management's assessment of the collection history with the CFC, management provides for probable uncollectible accounts through a provision for uncollectible expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the end of the CFC annual campaign are written off through a charge to the valuation allowance and a credit to promises to give.

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of interest-bearing transaction accounts. The Organization places its interest-bearing transaction accounts with high credit quality financial institutions, which are insured by the Federal Deposit Insurance Corporation ("FDIC"). As of June 30, 2023 and 2022, the Organization has not experienced any losses due to amounts held in excess of FDIC limits. These accounts may at times exceed the federally insured limits.

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at their fair market value on the date of the gift. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. The Organization's policy is to capitalize property and equipment purchased with a cost of \$1,000 or greater. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which ranges from five to twelve years.

Contributed assets and services

Contributions of donated nonfinancial assets and services are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Advertising costs

The Organization expenses advertising costs as they are incurred. As of June 30, 2023 and 2022, advertising expense was \$26,667 and \$10,072, respectively.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, benefits, payroll taxes, internet, communication, consulting, accounting, licenses and fees, depreciation, printing, and various other miscellaneous expenses are allocated based upon estimates of employee time.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through September 5, 2023, the date on which the financial statements were available to be issued.

3. Liquidity and Availability

Assets available for use within one year consist of:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,226,850	\$ 1,658,773
Accounts receivable, net	64,543	-
Promises to give, net	1,315,572	586,406
Cash, management designated	151,700	-
Investments	966,618	419,734
Less: amounts restricted	(2,053,626)	(1,223,975)
Less: management designated, operating funds	<u>(151,500)</u>	<u>(151,549)</u>
	<u><u>\$ 1,520,157</u></u>	<u><u>\$ 1,289,389</u></u>

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses. These funds have been set aside in a separate cash or investment account and designated as management committed, operating funds.

4. Revenue from Exchange Transactions

The Organization has memorandums of agreement ("MOA") with partners whereby the Organization is reimbursed a portion of the fees associated with patient transport on an individual basis. The reimbursement is received after the fees have been incurred and paid by the Organization. MOA partnership income is recognized at a point in time when the patient transportation to the MOA partner is complete.

Mercy Medical Angels
Notes to Financial Statements

Exchange transactions by type are as follows:

	<u>2023</u>	<u>2022</u>
MOA partnership income recognized at a point in time	<u>\$ 346,224</u>	<u>\$ 202,139</u>

5. Promises to Give

The following details the timing of expected receipts on unconditional promises to give at June 30:

	<u>2023</u>	<u>2022</u>
Pledges receivable due in less than one year	\$ 46,022	\$ 37,610
Pledges receivable due in one to five years	<u>1,350,000</u>	<u>600,000</u>
	<u>1,396,022</u>	<u>637,610</u>
Allowance for uncollectible unconditional Promises to give	<u>(15,635)</u>	<u>(15,635)</u>
Time value discount	<u>(64,815)</u>	<u>(35,569)</u>
Unconditional promises to give, net	<u>\$ 1,315,572</u>	<u>\$ 586,406</u>

Reconciliation of promises to give to the statements of financial position:

	<u>2023</u>	<u>2022</u>
Current promises to give, net	\$ 30,387	\$ 21,975
Long-term, promises to give, net	<u>1,285,185</u>	<u>564,431</u>
Unconditional promises to give, net	<u>\$ 1,315,572</u>	<u>\$ 586,406</u>

Time value discounts are reflected at the present value of estimated future cash flows using discount rates of 3%.

Conditional Contributions

The Organization received conditional grant agreements with airlines to be used for transportation purposes as follows during 2023:

American Airlines: Donated 25,000,000 AAdvantage miles with 20,990,394 carryover miles from previous years. The Organization used 5,287,706 miles the year ended June 30, 2023, with a remaining balance of 40,702,688 miles that can be used into 2023. The value of the remaining miles cannot be determined, as the value is based on the cost of flights at the time of booking the flight.

Southwest Airlines: Donated 1,000 e-passes valued at \$200,000. The Organization used 202 e-passes, valued at \$40,400 for the year ended June 30, 2023, with a remaining balance of 798 e-passes, valued at \$159,600 that can be used through September 1, 2023.

6. Investments

Cost and fair value of investment securities are as follows:

		June 30, 2023		
		Cost	Unrealized Loss	Fair Value
Mutual funds		\$ 1,010,875	\$ (52,193)	\$ 958,682
Equity investments		10,475	(2,539)	7,936
		<u>\$ 1,021,350</u>	<u>\$ (54,732)</u>	<u>\$ 966,618</u>

		June 30, 2022		
		Cost	Unrealized Loss	Fair Value
Mutual funds		\$ 312,424	\$ (52,281)	\$ 260,143
Money market fund		151,549	-	151,549
Equity investments		10,475	(2,433)	8,042
		<u>\$ 474,448</u>	<u>\$ (54,714)</u>	<u>\$ 419,734</u>

7. Fair Value Measurement

Fair value as defined under generally accepted accounting principles ("GAAP") is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

These tiers include:

Level 1: Observable inputs such as quoted prices in active markets.

Mutual funds, money market and equity investment: Valued at the closing price reported on the active market on which the individual securities are traded.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Unobservable inputs about which little or no market data exists; therefore, requiring an entity to develop its own assumptions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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The following tables set forth by level within the fair value hierarchy Organization's assets accounted for at fair value on a recurring basis:

Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3
Mutual funds	\$ 958,682	\$ -	\$ -
Equity investment	7,936	-	-
	<u>\$ 966,618</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3
Mutual funds	\$ 260,143	\$ -	\$ -
Money market	151,549	-	-
Equity investment	8,042	-	-
	<u>\$ 419,734</u>	<u>\$ -</u>	<u>\$ -</u>

8. Property and Equipment

Major classes of property and equipment consist of the following as of June 30:

	2023	2022
Furniture and equipment	\$ 56,302	\$ 56,302
Information system	1,188,496	1,188,496
	<u>1,244,798</u>	<u>1,244,798</u>
Accumulated depreciation	<u>(1,227,253)</u>	<u>(1,225,028)</u>
Property and equipment, net	<u>\$ 17,545</u>	<u>\$ 19,770</u>

9. Net Assets with Donor Restrictions

Net assets with donor restrictions of the Organization consisted of the following as of June 30:

	2023	2022
Long-term promises to give, net – Endowment	\$ 1,285,185	\$ 564,431
Endowment	504,803	251,500
Promises to give, net - time restricted	83,931	21,975
Program services	<u>181,510</u>	<u>386,069</u>
	<u>\$ 2,055,429</u>	<u>\$ 1,223,975</u>

10. Contributed Nonfinancial Services

For the year ended June 30, 2023, contributed nonfinancial assets and services recognized within revenue in the statements of activities included:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donated airfare	\$ 1,276,217	\$ -	\$ 1,276,217
Volunteer pilot	803,775	-	803,775
Office lease	47,169	-	47,169
Legal services	16,000	-	16,000
Technology services	12,000	-	12,000
	<u>\$ 2,155,161</u>	<u>\$ -</u>	<u>\$ 2,155,161</u>

For the year ended June 30, 2022, contributed nonfinancial assets and services recognized within revenue in the statements of activities included:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donated airfare	\$ 1,140,323	\$ -	\$ 1,140,323
Volunteer pilot	965,343	-	965,343
Legal services	14,000	-	14,000
Technology services	12,000	-	12,000
	<u>\$ 2,131,666</u>	<u>\$ -</u>	<u>\$ 2,131,666</u>

Contributed items were utilized in the following functions:

<u>Contributed Items</u>	<u>Program and Function</u>
Donated airfare	Airline patient travel
Volunteer pilot	Volunteer pilot patient travel
Office lease	Management and general
Legal services	Management and general
Technology services	Management and general

The following basis was used for valuing contributed items:

<u>Contributed Items</u>	<u>Valuation Basis</u>
Donated airfare	The Organization maintains an account of air miles which have no face value. Once air travel is booked, the Organization will apply the needed air miles from their account to the air travel ticket. The contributed nonfinancial service value of the air miles used for travel will be equal to the face value of the air travel ticket and will be recorded as revenue by the Organization only when the air travel is booked.
Volunteer pilots	Pilot volunteer hours are tracked using an integrated third-party system titled "Conklin and DeDecker" which calculates the contributed nonfinancial service based on the most up to date data and aircraft operating cost.
Office lease	Square footage of donated space multiplied by the going per square foot rate for similar space and re-evaluated annually.
Legal and technology services	Services are tracked throughout the year by either hours or direct communication with individual or business donating services. These services decrease the actual expenses incurred.

11. Endowments

The management of donor-restricted and quasi endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds ("UPMIFA") law as adopted by the state legislature. Virginia's version of UPMIFA was enacted during 2019. The Board of Directors of the Organization have interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Additionally, in accordance with state UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Organization's endowment consists of approximately 5 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including quasi endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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The composition of net assets by type of endowment fund at June 30, 2023, was:

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment	\$ -	\$ 1,788,185	\$ 1,788,185
Program restricted, net endowed earnings	-	1,803	1,803
	<u>\$ -</u>	<u>\$ 1,789,988</u>	<u>\$ 1,789,988</u>

Changes in endowment net assets for the fiscal year ended June 30, 2023 was:

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 815,931	\$ 815,931
Investment return, net	-	1,803	1,803
Contributions	-	101,500	101,500
Promises to give	-	900,000	900,000
Change in pledge discount	-	(29,246)	(29,246)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,789,988</u>	<u>\$ 1,789,988</u>

At June 30, 2022, the endowment net asset compositions by type of fund consisted of the following:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total 2023</u>
Endowment	\$ -	\$ 815,931	\$ 851,931

Changes in endowment net assets for the fiscal year ended June 30, 2022 was:

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Contributions	-	251,500	251,500
Promises to give, net	-	600,000	600,000
Change in discount	-	(35,569)	(35,569)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 815,931</u>	<u>\$ 815,931</u>

The Organization has adopted investment and spending policies of endowment assets to support the mission and operations of the Organization over the long-term and to support the Organization's programs and activities. These policies establish the requirements for the Organization's accounting and administration of endowment funds, including spending policy. This policy describes the Organization's interpretation of relevant accounting standards and applicability to the organization. The Organization's staff and board should refer to the Gift Acceptance Policy before accepting any endowment to ensure that it meets all applicable requirements.

- As a tax-exempt organization as described in section 501(c)(3) of the Internal Revenue Code, this status should be taken into consideration when making investment decisions.
- This approach will embrace both restricted and unrestricted funds. Restricted funds are defined as those having specific annotations (i.e. Veteran only, Canine only, Children only, etc.).
- Unrestricted funds are defined as those to be used in general day to day operations across the primary modes of transportation and which have no specific earmarks.
- Transactions shall be executed at reasonable cost, taking into consideration prevailing market conditions. Investment expenses shall be minimized to the extent practicable, consistent with investment objectives.

Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of quasi endowment funds that are not required to be held in perpetuity and can be accessed as management of the Organization determines. The Organization's other fund balances are invested along with donor-restricted endowments and quasi-endowments in the investment pool until the funds are needed for operations or capital requirements of the Organization. These funds are not subject to the endowment spending policy. Instead, they are managed via the operating budget or capital budget approval process. Donor-restricted and quasi endowment funds can be created to support charitable transportation services for low-income:

1. Veterans or their family members
2. Children
3. Cancer patients
4. Canines
5. Individuals – all patients
and their caregivers to and from their critical medical treatment.

Transportation services shall be provided by:

1. Ground with gas cards, bus or train tickets, or any other means
2. Air with commercial airline tickets
3. Air with flights by volunteer pilots

Under the Organization's policies and to satisfy its long-term performance objectives, as further described in the Investment and Endowment Policies, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (interest and dividends) and capital appreciation (realized and unrealized).

The Endowment Spending policy determines the annual flow of funds from the endowment to mission support via the operating budget. It endeavors to adhere to the standard of prudence prescribed by UPMIFA; provide a predictable stream of operational funding to programs supported by endowments; and seek to maintain the purchasing power of endowed assets. Therefore, it is intended that the long-term average annual spending shall not exceed the expected long-term inflation-adjusted total return of the endowment assets.

Donor-restricted endowments are intended to be maintained in perpetuity, with capacity for unrestricted spending derived from investment proceeds. Since a gift must be invested over time to produce spendable earnings, spending from newly established endowments will not occur immediately. Quasi endowment funds are not required to be held in perpetuity and a portion or all of the fund can be spent at the discretion of management of the Organization.

The Organization calculates its payout distributions once each year. Achievement of all restrictive stipulations to which a gift is subject (e.g. minimum dollar threshold or donor-imposed requirement) prior to the calculation date shall render the endowment eligible to participate in allocation of payout. If all such restrictive stipulations are first satisfied at any time following the annual calculation, the endowment will be eligible for payout in the next annual calculation.

Each year, the Organization will appropriate for distribution five percent (5%) of each endowment fund's average market value over the prior twelve (12) quarters, six months in arrears, to support mission activities in accordance with donor intent.

12. Related Parties

As a member of Air Charity Network, the Organization works cooperatively with the other members to provide charitable transportation to medical care across the United States. The Organization maintains the corporate records and financial records for Air Charity Network. The Organization also provides additional administrative and fundraising support at no cost to the affiliated not-for-profit 501(c)(3) organizations that provide services similar to that of the Organization in accordance with an annual board-level management agreement. The members of Air Charity Network pay a fee of \$500 per organization.

For the years ended June 30, 2023 and 2022, the fees from related parties for accounting services totaled \$6,000.

13. Lease Costs

The Organization leased office equipment including a copier and postage machine that expired in 2023 and were not renewed. Equipment lease cost included in office supplies was \$3,612 and \$5,603 for 2023 and 2022, respectively.

The Organization also incurred other short term lease costs and received contributed office space (Note 10). Total lease cost was \$53,258 and \$5,717 for 2023 and 2022, respectively.

14. Other Commitments

The Organization entered into various memorandums of understanding with other various companies to provide transportation in exchange for a fee of 50% of the ticket cost per passenger processed. If the Organization exceeds \$75,000 in donation transportation cost, the Organization's fee will be 75% of the ticket cost. A premium fee of \$100 will be charged in addition to the coordination fee for trips traveling to or from AK, HI, US Virgin Islands, and Puerto Rico. The MOAs will continue to automatically renew unless terminated by either party. These fees are included as MOA partnership income in the statements of activities.

15. Retirement Plan

The Organization sponsors a Simple IRA ("Plan"). To be eligible for coverage under the Plan, an employee must have completed 90 days of service. The Organization makes matching contributions up to 3% of each participant's elective deferral contribution. The contributions to the Plan for 2023 and 2022 were \$15,940 and \$13,420, respectively.