



Independent Auditor's Report and Financial Statements

June 30, 2025 and 2024

Mercy Medical Angels
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June 30, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Mercy Medical Angels
Virginia Beach, Virginia

Opinion

We have audited the financial statements of Mercy Medical Angels, which comprise the statements of financial position as of June 30, 2025 and 2024, 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, 2025 and 2024, 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 within one year after the date that these 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 Mazars, LLP

Norfolk, Virginia
September 12, 2025

Mercy Medical Angels
Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 651,093	\$ 1,346,609
Promises to give, net	25,869	52,629
Accounts receivable, net	62,689	44,970
Prepaid expenses	3,343	17,968
Total Current Assets	<u>742,994</u>	<u>1,462,176</u>
Noncurrent Assets		
Cash and cash equivalents, management designated	160,604	151,852
Investments	1,720,372	1,038,023
Long-term promises to give, net	650,959	967,590
Property and equipment, net	13,095	15,320
Total Noncurrent Assets	<u>2,545,030</u>	<u>2,172,785</u>
Total Assets	<u><u>\$ 3,288,024</u></u>	<u><u>\$ 3,634,961</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 274,073	\$ 142,921
Net Assets		
Without donor restrictions	1,020,932	1,591,718
With donor restrictions	1,993,019	1,900,322
Total Net Assets	<u>3,013,951</u>	<u>3,492,040</u>
Total Liabilities and Net Assets	<u><u>\$ 3,288,024</u></u>	<u><u>\$ 3,634,961</u></u>

Mercy Medical Angels
Statement of Activities
Year Ended June 30, 2025

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and Other Revenue			
Donations and grants	\$ 1,216,159	\$ 958,665	\$ 2,174,824
Contributed nonfinancial services	2,909,827	-	2,909,827
MOA partnership income	445,691	-	445,691
Reimbursed airline booking fees	50,847	-	50,847
Other income	26,679	-	26,679
Interest income, net of fees	635	57,025	57,660
Unrealized and realized gain on investments	43,737	28,990	72,727
Net assets released from restrictions	951,983	(951,983)	-
Total Contributions and Other Revenue	5,645,558	92,697	5,738,255
Expenses			
Program			
Airline patient travel	2,697,844	-	2,697,844
Volunteer pilot patient travel	1,830,807	-	1,830,807
Ground patient travel	981,639	-	981,639
Total Program Services	5,510,290	-	5,510,290
Supporting Services			
Management and general	316,495	-	316,495
Fundraising	389,559	-	389,559
Total Supporting Services	706,054	-	706,054
Total Expenses	6,216,344	-	6,216,344
Change in Net Assets	(570,786)	92,697	(478,089)
Net Assets, Beginning of Year	1,591,718	1,900,322	3,492,040
Net Assets, End of Year	\$ 1,020,932	\$ 1,993,019	\$ 3,013,951

Mercy Medical Angels
Statement of Activities
Year Ended June 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and Other Revenue			
Donations and grants	\$ 1,208,817	\$ 586,241	\$ 1,795,058
Contributed nonfinancial services	2,827,830	-	2,827,830
MOA partnership income	404,800	-	404,800
Reimbursed airline booking fees	44,929	-	44,929
Other income	31,001	-	31,001
Interest income, net of fees	24,675	9,551	34,226
Unrealized and realized gain on investments	22,257	29,575	51,832
Change in allowance of uncollectible promises to give	(5,039)	-	(5,039)
Net assets released from restrictions	780,474	(780,474)	-
Total Contributions and Other Revenue	5,339,744	(155,107)	5,184,637
Expenses			
Program			
Airline patient travel	2,674,155	-	2,674,155
Volunteer pilot patient travel	1,133,675	-	1,133,675
Ground patient travel	766,558	-	766,558
Total Program Services	4,574,388	-	4,574,388
Supporting Services			
Management and general	449,030	-	449,030
Fundraising	317,405	-	317,405
Total Supporting Services	766,435	-	766,435
Total Expenses	5,340,823	-	5,340,823
Change in Net Assets	(1,079)	(155,107)	(156,186)
Net Assets, Beginning of Year	1,592,797	2,055,429	3,648,226
Net Assets, End of Year	\$ 1,591,718	\$ 1,900,322	\$ 3,492,040

Mercy Medical Angels
Statement of Functional Expenses
Year Ended June 30, 2025

	Airline Patient Travel	Volunteer Pilot Patient Travel	Ground Patient Travel	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Patient travel - contributed	\$ 1,100,596	\$ 1,587,892	\$ -	\$ 2,688,488	\$ -	\$ -	\$ -	\$ 2,688,488
Salaries	696,657	96,344	445,430	1,238,431	168,119	177,831	345,950	1,584,381
Patient travel	562,715	49,899	311,279	923,893	-	-	-	923,893
Lease cost	82,961	11,473	53,044	147,478	20,021	21,177	41,198	188,676
Special events	-	-	-	-	-	117,863	117,863	117,863
Internet expense	50,556	6,992	32,325	89,873	12,200	12,905	25,105	114,978
Payroll taxes	49,075	6,787	31,378	87,240	11,843	12,527	24,370	111,610
Consulting	40,301	5,573	25,768	71,642	9,725	10,287	20,012	91,654
Advertising and outreach	19,633	45,584	15,076	80,293	3,601	3,778	7,379	87,672
Conferences and training	18,276	8,669	14,255	41,200	6,703	13,758	20,461	61,661
Benefits	25,210	3,486	16,119	44,815	6,084	6,435	12,519	57,334
Accounting	989	137	632	1,758	54,668	252	54,920	56,678
Licenses and fees	12,840	1,776	8,210	22,826	3,099	3,278	6,377	29,203
Communications	11,246	1,555	7,190	19,991	2,714	2,871	5,585	25,576
Office supplies	9,782	1,329	6,142	17,253	2,318	2,452	4,770	22,023
Insurance expense	8,001	1,106	5,116	14,223	1,931	2,042	3,973	18,196
Miscellaneous expense	5,332	737	3,409	9,478	1,282	1,361	2,643	12,121
Legal fees	-	-	-	-	11,481	-	11,481	11,481
Postage and delivery	1,114	1,114	4,629	6,857	88	88	176	7,033
Depreciation	978	135	626	1,739	236	250	486	2,225
Printing and reproduction	882	122	564	1,568	213	225	438	2,006
Office utilities	696	96	445	1,237	168	178	346	1,583
Repairs and maintenance	4	1	2	7	1	1	2	9
Total Expenses	\$ 2,697,844	\$ 1,830,807	\$ 981,639	\$ 5,510,290	\$ 316,495	\$ 389,559	\$ 706,054	\$ 6,216,344

See Notes to Financial Statements

Mercy Medical Angels
Statement of Functional Expenses
Year Ended June 30, 2024

	Airline Patient Travel	Volunteer Pilot Patient Travel	Ground Patient Travel	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Patient travel - contributed	\$ 1,666,582	\$ 940,572	\$ -	\$ 2,607,154	\$ -	\$ -	\$ -	\$ 2,607,154
Salaries	578,158	79,495	326,415	984,068	132,570	139,833	272,403	1,256,471
Patient travel	172,563	47,162	289,894	509,619	463	463	926	510,545
Lease cost	-	-	-	-	188,676	-	188,676	188,676
Internet expense	57,027	7,841	32,196	97,064	13,076	13,793	26,869	123,933
Special events	-	-	-	-	-	111,613	111,613	111,613
Consulting	48,545	6,675	27,408	82,628	11,131	11,741	22,872	105,500
Payroll taxes	40,154	5,521	22,670	68,345	9,207	9,712	18,919	87,264
Benefits	23,157	3,184	13,074	39,415	5,310	5,601	10,911	50,326
Conferences and training	14,127	7,508	10,786	32,421	4,067	7,759	11,826	44,247
Accounting	2,155	296	1,216	3,667	36,981	521	37,502	41,169
Promotional materials	3,727	24,353	3,727	31,807	294	294	588	32,395
Advertising and outreach	14,799	2,035	8,355	25,189	3,393	3,579	6,972	32,161
Licenses and fees	13,942	1,917	7,872	23,731	3,197	3,372	6,569	30,300
Insurance expense	9,301	1,279	5,251	15,831	2,133	2,250	4,383	20,214
Legal fees	-	-	-	-	20,000	-	20,000	20,000
Communications	8,924	1,227	5,038	15,189	2,046	2,158	4,204	19,393
Office supplies	6,732	907	3,725	11,364	1,513	1,596	3,109	14,473
Printing and reproduction	6,547	900	3,696	11,143	1,501	1,583	3,084	14,227
Technology - contributed	-	-	-	-	12,000	-	12,000	12,000
Miscellaneous expense	4,038	555	2,280	6,873	933	977	1,910	8,783
Postage and delivery	2,019	2,019	2,019	6,057	159	159	318	6,375
Depreciation	1,024	141	578	1,743	235	247	482	2,225
Office utilities	586	81	331	998	134	142	276	1,274
Repairs and maintenance	48	7	27	82	11	12	23	105
Total Expenses	\$ 2,674,155	\$ 1,133,675	\$ 766,558	\$ 4,574,388	\$ 449,030	\$ 317,405	\$ 766,435	\$ 5,340,823

See Notes to Financial Statements

Mercy Medical Angels
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (478,089)	\$ (156,186)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation	2,225	2,225
Realized and unrealized gain on investments	(72,727)	(51,832)
Change in allowance of uncollectible promises to give	-	5,039
Contributions restricted for long-term investment	1,500	1,500
Change in		
Promises to give, net	343,391	290,314
Accounts receivable	(17,719)	19,573
Prepaid expenses	14,625	14,568
Accounts payable and accrued expenses	<u>131,152</u>	<u>15,783</u>
Net Cash (Used In) Provided by Operating Activities	<u>(75,642)</u>	<u>140,984</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	98,740	877,212
Purchases of investments	<u>(708,362)</u>	<u>(896,785)</u>
Net Cash Used In Investing activities	<u>(609,622)</u>	<u>(19,573)</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment as endowment	<u>(1,500)</u>	<u>(1,500)</u>
Cash and Cash Equivalents		
(Decrease) increase	(686,764)	119,911
Beginning of year	<u>1,498,461</u>	<u>1,378,550</u>
End of Year	<u><u>\$ 811,697</u></u>	<u><u>\$ 1,498,461</u></u>
Reconciliation of Cash and Cash Equivalents Reported on the Statements of Financial Position		
Cash and cash equivalents, current	\$ 651,093	\$ 1,346,609
Cash and cash equivalents, management designated	<u>160,604</u>	<u>151,852</u>
	<u><u>\$ 811,697</u></u>	<u><u>\$ 1,498,461</u></u>

Note 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 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 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).

Note 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 (“GAAP”). 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

Net assets without donor restrictions result from receiving unrestricted contributions, MOA partnership income, reimbursed airline booking fees, interest income, other income, unrealized and realized gain on certain investments, 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

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 net assets released from restrictions. 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.

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. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents.

Investments

Investments include various equity and fixed income investments 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. All fixed income investments are trading securities.

Accounts Receivable, Net

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of existing economic conditions adjusted for current conditions and reasonable and supportable forecasts, management provides for probable uncollectible accounts through a provision for credit loss expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Promises to Give, Net

Promises to give are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of collection history, management provides for probable uncollectible promises to give through a provision for credit loss expense and an adjustment to a valuation allowance based on its assessment of the current status of individual 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, 2025 and 2024, 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 four to ten years.

Lease Costs

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use ("ROU") assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date. The Organization has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term. The Organization has no leases that require recognition of a ROU asset or lease liability.

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, 2025 and 2024, advertising expense was \$87,672 and \$32,161, 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, licenses and fees, depreciation, printing, and various other miscellaneous expenses are allocated based upon estimates of employee time. Expenses directly attributed by management's estimates to a specific function are reported as expenses of that function.

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.

Mercy Medical Angels
Notes to Financial Statements
June 30, 2025 and 2024

Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through September 12, 2025, the date on which the financial statements were available to be issued.

Note 3. Liquidity and Availability

Assets available for use within one year consist of:

	<u>2025</u>	<u>2024</u>
Cash	\$ 651,093	\$ 1,346,609
Accounts receivable, net	62,689	44,970
Promises to give, net	676,828	1,020,219
Cash, management designated	160,604	151,852
Investments	1,720,372	1,038,023
Less, amounts restricted	(1,993,019)	(1,900,322)
Less, management designated, operating funds	<u>(160,604)</u>	<u>(151,852)</u>
	<u>\$ 1,117,963</u>	<u>\$ 1,549,499</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.

Note 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.

Exchange transactions by type are as follows:

	<u>2025</u>	<u>2024</u>
MOA partnership income recognized at a point in time	\$ 445,691	\$ 404,800

Note 5. Promises to Give

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

	<u>2025</u>	<u>2024</u>
Pledges receivable due in less than one year	\$ 41,504	\$ 68,264
Pledges receivable due in one to five years	<u>677,500</u>	<u>1,012,500</u>
	719,004	1,080,764
Allowance for uncollectible unconditional Promises to give	(15,635)	(15,635)
Time value discount	<u>(26,541)</u>	<u>(44,910)</u>
Unconditional promises to give, net	<u>\$ 676,828</u>	<u>\$ 1,020,219</u>

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

	<u>2025</u>	<u>2024</u>
Current promises to give, net	\$ 25,869	\$ 52,629
Long-term, promises to give, net	<u>650,959</u>	<u>967,590</u>
Unconditional promises to give, net	<u>\$ 676,828</u>	<u>\$ 1,020,219</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 2025:

American Airlines: Donated 30,000,000 AAdvantage miles in 2025, with 11,256,394 carryover miles from previous years. The Organization used all carryover miles from previous years and an additional 22,642,640 miles for the year ended June 30, 2025, with a remaining balance of 7,357,360 miles that can be used into fiscal year 2026. 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 1,100 e-passes valued at \$220,000 in 2025, with a carryover balance of 138 e-passes from previous years valued at \$27,600. The Organization used all carryover e-passes and an additional 758 e-passes valued at \$151,600 for the year ended June 30, 2025, with a remaining balance of 342 e-passes valued at \$68,400 that can be used through September 1, 2025.

Note 6. Investments

Cost and fair value of investment securities are as follows:

	June 30, 2025		
	Cost	Unrealized Gain	Fair Value
Equities			
Money market funds	\$ 196,326	\$ -	\$ 196,326
Fixed Income			
Bond funds	1,238,284	31,368	1,269,652
Exchange traded products	<u>246,682</u>	<u>7,712</u>	<u>254,394</u>
	<u>\$ 1,681,292</u>	<u>\$ 39,080</u>	<u>\$ 1,720,372</u>
	June 30, 2024		
	Cost	Unrealized Gain (Loss)	Fair Value
Equities			
Large cap	\$ 344,296	\$ 25,843	\$ 370,139
Mid cap	103,726	10,679	114,405
Small cap	131,341	(7,203)	124,138
International	54,174	7,082	61,256
Emerging markets	15,033	852	15,885
Allocation	167,013	(16,007)	151,006
Fixed Income			
Taxable bonds short-term	191,461	814	192,275
Taxable bonds intermediate-term	<u>8,869</u>	<u>50</u>	<u>8,919</u>
	<u>\$ 1,015,913</u>	<u>\$ 22,110</u>	<u>\$ 1,038,023</u>

Note 7. Fair Value Measurement

Fair value as defined under 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.
Equity and fixed income investments: 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.

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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.

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

2025				
Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Total Fair Value				
Equities				
Money market funds	\$ 196,326	\$ 196,326	\$ -	\$ -
Fixed income				
Bond funds	1,269,652	1,269,652	-	-
Exchange traded products	254,394	254,394	-	-
	<u>\$ 1,720,372</u>	<u>\$ 1,720,372</u>	<u>\$ -</u>	<u>\$ -</u>

2024				
Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Total Fair Value				
Equities				
Large cap	\$ 370,139	\$ 370,139	\$ -	\$ -
Mid cap	114,405	114,405	-	-
Small cap	124,138	124,138	-	-
International	61,256	61,256	-	-
Emerging markets	15,885	15,885	-	-
Allocation	151,006	151,006	-	-
Fixed income				
Taxable bonds short-term	192,275	192,275	-	-
Taxable bonds intermediate-term	8,919	8,919	-	-
	<u>\$ 1,038,023</u>	<u>\$ 1,038,023</u>	<u>\$ -</u>	<u>\$ -</u>

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Note 8. Property and Equipment

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

	<u>2025</u>	<u>2024</u>
Furniture and equipment	\$ 56,302	\$ 56,302
Information system	<u>1,188,496</u>	<u>1,188,496</u>
	1,244,798	1,244,798
Accumulated depreciation	<u>(1,231,703)</u>	<u>(1,229,478)</u>
Property and equipment, net	<u>\$ 13,095</u>	<u>\$ 15,320</u>

Note 9. Net Assets with Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Endowment	\$ 1,234,411	\$ 860,106
Promises to give, net – Endowment	650,959	967,590
Program services	107,649	33,997
Promises to give, net - time restricted	<u>-</u>	<u>38,629</u>
	<u>\$ 1,993,019</u>	<u>\$ 1,900,322</u>

Note 10. Contributed Nonfinancial Services

For the year ended June 30, 2025, 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	\$ 1,100,596	\$ -	\$ 1,100,596
Volunteer pilot	1,587,892	-	1,587,892
Office lease	188,676	-	188,676
Professional fees	25,303	-	25,303
Gas cards	<u>7,360</u>	<u>-</u>	<u>7,360</u>
	<u>\$ 2,909,827</u>	<u>\$ -</u>	<u>\$ 2,909,827</u>

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For the year ended June 30, 2024, 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	\$ 1,666,582	\$ -	\$ 1,666,582
Volunteer pilot	940,572	-	940,572
Office lease	188,676	-	188,676
Professional fees	20,000	-	20,000
Technology services	12,000	-	12,000
	<u>\$ 2,827,830</u>	<u>\$ -</u>	<u>\$ 2,827,830</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
Gas cards	Ground patient travel
Office lease	Management and general, fundraising, airline patient travel, volunteer pilot patient travel, ground patient travel
Professional fees	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.
Gas cards	The gift card distributor provides a percentage discount on the purchase of the cards.

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Office lease	Square footage of donated space multiplied by the going per square foot rate for similar space and re-evaluated annually.
Professional fees and technology	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.

Note 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.

The composition of net assets by type of endowment fund at June 30, 2025, was:

	2025		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment	\$ -	\$ 1,829,459	\$ 1,829,459
Program restricted, net endowed earnings	-	55,911	55,911
	<u>\$ -</u>	<u>\$ 1,885,370</u>	<u>\$ 1,885,370</u>

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Changes in endowment net assets for the fiscal year ended June 30, 2025 was:

	2025		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,827,696	\$ 1,827,696
Investment return, net	-	86,015	86,015
Contributions	-	1,500	1,500
Distributions	-	(48,210)	(48,210)
Change in pledge discount	-	18,369	18,369
Endowment net assets, end of year	\$ -	\$ 1,885,370	\$ 1,885,370

At June 30, 2024, the endowment net asset compositions by type of fund consisted of the following:

	2024		
	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total 2024</u>
Endowment	\$ -	\$ 1,809,590	\$ 1,809,590
Program restricted, net endowed earnings	-	18,106	18,106
	\$ -	\$ 1,827,696	\$ 1,827,696

Changes in endowment net assets for the fiscal year ended June 30, 2024 was:

	2024		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,789,988	\$ 1,789,988
Investment return, net	-	39,125	39,125
Contributions	-	1,500	1,500
Distributions	-	(22,822)	(22,822)
Change in discount	-	19,905	19,905
Endowment net assets, end of year	\$ -	\$ 1,827,696	\$ 1,827,696

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.

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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. 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.

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Each year, the Organization will appropriate for distribution five percent (5%) of each endowment fund's average market value, limited to total accumulated endowment fund earnings, to support mission activities in accordance with donor intent.

Note 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, 2025 and 2024, the fees from related parties for accounting services totaled \$6,000.

Note 13. Lease Costs

The Organization incurred short term lease costs and received contributed office space (Note 10). Total lease cost was \$188,676 for 2025 and 2024, respectively.

Note 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.

Note 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 2025 and 2024 were \$21,204 and \$10,530, respectively.

Note 16. Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit ("ERC"). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during calendar years 2020 and 2021. The credit is available for 50% of qualified wages for calendar year 2020 with a maximum potential credit per qualified employee of \$5,000. For calendar quarters in 2021, the credit increased to a maximum of 70% of qualified wages up to \$10,000 per employee per calendar quarter.

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The Organization qualified for the ERC based on either the partial shutdown or reduction in gross receipts in certain quarters depending on which period is being analyzed and has elected to account for the ERC as a government grant under ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. During calendar years 2020 and 2021, the Organization incurred qualifying wages and has recognized \$205,419 associated with the ERC as donations and grants income in the 2025 statement of activities. The Organization applied for an additional credit of \$73,445 for the third quarter of 2021 that has not been received yet. Due to the uncertain nature of the receipt of these funds, the credit has not been recorded in these financial statements.