



Financial Statements

Years Ended June 30, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 24, 2022**

Mercy Medical Angels
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 1,658,773	\$ 1,280,677
Promises to give, net	21,975	63,164
Accounts receivable	65,762	-
Prepaid expenses	11,228	2,344
Total current assets	<u>1,757,738</u>	<u>1,346,185</u>
Noncurrent assets:		
Property and equipment, net	19,770	8,625
Investments	419,734	-
Long-term promises to give, net	564,431	-
Total noncurrent assets	<u>1,003,935</u>	<u>8,625</u>
Total assets	<u><u>\$ 2,761,673</u></u>	<u><u>\$ 1,354,810</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 141,164	\$ 76,303
Net assets:		
Without donor restrictions	1,396,534	952,113
With donor restrictions	1,223,975	326,394
Total net assets	<u>2,620,509</u>	<u>1,278,507</u>
Total liabilities and net assets	<u><u>\$ 2,761,673</u></u>	<u><u>\$ 1,354,810</u></u>

Mercy Medical Angels
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and revenue:						
Donations and grants	\$ 1,436,144	\$ 1,213,870	\$ 2,650,014	\$ 847,997	\$ 233,732	\$ 1,081,729
Contributed nonfinancial services	2,131,666	-	2,131,666	2,621,685	-	2,621,685
MOA partnership income	202,139	-	202,139	31,850	-	31,850
Reimbursed airline booking fees	30,446	-	30,446	10,938	-	10,938
Payroll Protection Program grants	-	-	-	236,660	-	236,660
Total contributions and revenue	3,800,395	1,213,870	5,014,265	3,749,130	233,732	3,982,862
Net assets released from restrictions	316,289	(316,289)	-	407,172	(407,172)	-
Total contributions and revenue	4,116,684	897,581	5,014,265	4,156,302	(173,440)	3,982,862
Expenses						
Program:						
Airline patient travel	1,632,511	-	1,632,511	539,195	-	539,195
Volunteer pilot patient travel	1,083,998	-	1,083,998	2,383,540	-	2,383,540
Ground patient travel	459,465	-	459,465	356,271	-	356,271
Total program services	3,175,974	-	3,175,974	3,279,006	-	3,279,006
Supporting services:						
Fundraising	281,391	-	281,391	254,839	-	254,839
Management and general	182,005	-	182,005	146,458	-	146,458
Total supporting services	463,396	-	463,396	401,297	-	401,297
Total expenses	3,639,370	-	3,639,370	3,680,303	-	3,680,303
Change in net assets from operating activities	477,314	897,581	1,374,895	475,999	(173,440)	302,559
Nonoperating activities:						
Rental and other income	9,416	-	9,416	16,252	-	16,252
Interest income	6,616	-	6,616	204	-	204
Loss on disposal of long-lived assets held for sale	-	-	-	(3,667)	-	(3,667)
Loss on uncollectible promises to give	(663)	-	(663)	-	-	-
Unrealized and realized loss on investments	(48,262)	-	(48,262)	-	-	-
	(32,893)	-	(32,893)	12,789	-	12,789
Change in net assets	444,421	897,581	1,342,002	488,788	(173,440)	315,348
Net assets, beginning of year	952,113	326,394	1,278,507	463,325	499,834	963,159
Net assets, end of year	\$ 1,396,534	\$ 1,223,975	\$ 2,620,509	\$ 952,113	\$ 326,394	\$ 1,278,507

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
Contributed nonfinancial service expense	\$ 1,140,323	\$ 965,343	\$ -	\$ 2,105,666	\$ 12,000	\$ -	\$ 12,000	\$ 2,117,666
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
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
Office supplies	3,511	634	2,131	6,276	6,603	1,676	8,279	14,555
In-kind legal services	-	-	-	-	14,000	-	14,000	14,000
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
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
Legal fees	-	-	-	-	4,437	-	4,437	4,437
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	<u>\$ 1,632,511</u>	<u>\$ 1,083,998</u>	<u>\$ 459,465</u>	<u>\$ 3,175,974</u>	<u>\$ 182,005</u>	<u>\$ 281,391</u>	<u>\$ 463,396</u>	<u>\$ 3,639,370</u>

See accompanying notes.

Mercy Medical Angels
Statement of Functional Expenses
Year Ended June 30, 2021

	Airline Patient Travel	Volunteer Pilot Patient Travel	Ground Patient Travel	Total Programs Services	Management and General	Fundraising	Total Support Services	Total
Contributed nonfinancial service exp	\$ 370,404	\$ 2,221,021	\$ -	\$ 2,591,425	\$ 17,135	\$ -	\$ 17,135	\$ 2,608,560
Salaries	122,815	94,805	218,372	435,992	85,459	161,622	247,081	683,073
Patient travel	980	31,320	60,946	93,246	-	-	-	93,246
Payroll taxes	8,653	6,680	15,386	30,719	6,021	11,387	17,408	48,127
Internet expense	6,346	4,898	11,283	22,527	4,416	8,351	12,767	35,294
Special events	-	-	-	-	-	34,012	34,012	34,012
Consulting	5,316	4,103	9,452	18,871	3,699	6,995	10,694	29,565
Accounting	4,535	3,501	8,064	16,100	3,156	5,969	9,125	25,225
Licenses and fees	3,572	2,757	6,351	12,680	2,485	4,700	7,185	19,865
Benefits	2,982	2,302	5,302	10,586	2,075	3,924	5,999	16,585
Insurance expense	2,931	2,263	5,212	10,406	2,040	3,857	5,897	16,303
In-kind legal services	-	-	-	-	13,125	-	13,125	13,125
Communications	1,908	1,473	3,392	6,773	1,328	2,511	3,839	10,612
Office supplies	1,574	1,215	2,799	5,588	1,095	2,072	3,167	8,755
Promotional materials	2,351	3,116	2,351	7,818	186	186	372	8,190
Office utilities	1,016	784	1,806	3,606	707	1,337	2,044	5,650
Advertising and outreach	-	-	-	-	-	4,430	4,430	4,430
Interest expense	616	476	1,096	2,188	429	811	1,240	3,428
Postage and delivery	1,070	1,070	1,070	3,210	84	84	168	3,378
Conferences and training	698	653	851	2,202	314	712	1,026	3,228
Miscellaneous expense	512	396	911	1,819	357	674	1,031	2,850
Printing and reproduction	505	390	897	1,792	351	664	1,015	2,807
Rent expense	-	-	-	-	1,710	-	1,710	1,710
Repairs and maintenance	239	184	424	847	166	314	480	1,327
Depreciation	172	133	306	611	120	227	347	958
Total expenses	\$ 539,195	\$ 2,383,540	\$ 356,271	\$ 3,279,006	\$ 146,458	\$ 254,839	\$ 401,297	\$ 3,680,303

See accompanying notes.

Mercy Medical Angels
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,342,002	\$ 315,348
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,524	958
Loss on disposal of long-lived assets held for sale	-	3,667
Realized and unrealized loss on investments	48,262	-
Loss on uncollectible promises to give	663	-
Contributions restricted for long-term investment	(251,500)	-
Change in:		
Promises to give, net	(523,905)	24,996
Accounts receivable	(65,762)	1,139
Prepaid expenses	(8,884)	892
Accounts payable and accrued expenses	64,861	12,318
Deposits	-	(3,150)
Contract liability	-	(1,850)
Refundable advance	-	(116,500)
Net cash provided by operating activities	<u>607,261</u>	<u>237,818</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	567,533
Proceeds from sale of investments	56,680	-
Purchases of investments	(524,676)	-
Purchases of property and equipment	<u>(12,669)</u>	<u>(9,583)</u>
Net cash (used) provided by investing activities	<u>(480,665)</u>	<u>557,950</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for investment as endowment	251,500	-
Payments of notes payable	<u>-</u>	<u>(259,914)</u>
Net cash provided (used) by financing activities	<u>251,500</u>	<u>(259,914)</u>
Net change in cash	378,096	535,854
Cash, beginning of year	<u>1,280,677</u>	<u>744,823</u>
Cash, end of year	<u><u>\$ 1,658,773</u></u>	<u><u>\$ 1,280,677</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ 3,428</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, rental income, 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.

Recognition of donor-restricted contributions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and cash equivalents

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 includes 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.

Promises to give, net

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 25% of total 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 bad debt 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. The remaining promises to give are discounted to present day value at 3%.

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of interest-bearing transaction accounts, promises to give, and grants receivable. The Organization places its interest-bearing transaction accounts with high credit quality financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). On June 30, 2022 and 2021, 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. Credit risks related to grants receivable, promises to give and grant revenue are concentrated as most of the grants receivable are due from affiliated organizations.

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 for all except buildings and building improvements. The building and building improvements are amortized over thirty years.

Public support and revenue

Contributions are generally available to use without donor restrictions unless specifically restricted by the donor. Unconditional promises to give are recorded as received. An allowance for uncollectible promises to give is recorded based on management's evaluation of potential uncollectible promises.

Grants and other contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions that are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions, unless the support expires in the same period as received. Contributions received with donor-imposed conditions that are met in the same reporting period are reported as revenue without restrictions in the same period as received.

Contributions of donated nonfinancial assets 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.

Contributed services

The Organization receives significant contributions of transportation services from various airlines and subsidized airline ticket programs from foundations working with the Organization to provide patient and patient caregiver airline tickets. Contributed transportation services are recorded as the difference between what the client had to pay (sometimes zero) and the actual retail airline costs per quotes from the appropriate airline websites. The Organization also receives donated pilot services, professional program management services and IT systems development and operations services. All service costs are valued on going commercial rates.

Contributed Nonfinancial Assets

During 2022, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires the Organization to present gifts-in-kind as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosure requirements includes disclosing the Organization's policy about monetizing rather than utilizing contributed nonfinancial assets, description of any donor-imposed restrictions associated with the contributed nonfinancial asset, description of the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and to disclose the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

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. Advertising expense was \$10,072 and \$4,430, respectively.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement 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, internet, payroll taxes, consulting, accounting, benefits, licenses and fees, and depreciation 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.

Upcoming Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), requiring lessees to recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains consistent with U.S. GAAP. In June 2020, the FASB extended the required adoption date of Topic 842 until fiscal years beginning after December 15, 2021. The Organization has elected to utilize this one-year extension. The Organization is currently evaluating the effect the ASU will have on the financial statements.

Subsequent events

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through September 24, 2022, the date on which the financial statements were available to be issued.

3. Liquidity and Availability

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. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Mercy Medical Angels
Notes to Financial Statements

Assets available for use within one year consist of:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,658,773	\$ 1,280,677
Investments, short-term	268,185	-
Promises to give, due less than one year, net of allowance	21,975	63,164
Less: amounts restricted net of long-term pledges	<u>(659,544)</u>	<u>(326,394)</u>
	<u>\$ 1,289,389</u>	<u>\$ 1,017,447</u>

At June 30, 2022 and 2021, short-term assets of \$350,500 and \$263,230, respectively, are subject to various donor restrictions which are expected to be satisfied within one year.

4. Revenue from Exchange Transactions

The Organization has memorandums of agreement (MOAs) 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>2022</u>	<u>2021</u>
MOA partnership income recognized at a point in time	<u>\$ 202,139</u>	<u>\$ 31,850</u>

5. Promises to Give

The following details the timing of expected receipts on promises to give at June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current	\$ 25,677	\$ -	\$ 25,677
Pledges receivable due in less than one year	11,933	-	11,933
Pledges receivable due in one to five years	<u>-</u>	<u>600,000</u>	<u>600,000</u>
	37,610	600,000	637,610
Allowance for uncollectible unconditional Promises to give	(15,635)	-	(15,635)
Time value discount	<u>-</u>	<u>(35,569)</u>	<u>(35,569)</u>
Unconditional promises to give, net	<u>\$ 21,975</u>	<u>\$ 564,431</u>	<u>\$ 586,406</u>

Mercy Medical Angels
Notes to Financial Statements

The following details the timing of expected receipts on unconditional promises to give at June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current	\$ 47,819	\$ -	\$ 47,819
Pledges receivable due in less than one year	<u>30,980</u>	<u>-</u>	<u>30,980</u>
	78,799	-	78,799
Allowance for uncollectible unconditional Promises to give	(15,635)	-	(15,635)
Time value discount	<u>-</u>	<u>-</u>	<u>-</u>
Unconditional promises to give, net	<u>\$ 63,164</u>	<u>\$ -</u>	<u>\$ 63,164</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 2022:

American Airlines: Donated 15,000,000 AAdvantage miles with a carryover of 11,141,894 miles from previous years. The Organization used 5,151,500 miles the year ended June 30, 2022, with a remaining balance of 20,990,394 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.

6. Investments

Cost and fair value of investment securities are as follows:

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

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These tiers include:

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

Mutual funds 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.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

When quoted prices are available in active markets for identical instruments, investment securities are classified within level 1 of the fair value hierarchy. Level 1 investments include mutual funds, money market and equity investments.

Fair value for level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

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:

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

8. Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 56,302	\$ 43,633
Information system	<u>1,188,496</u>	<u>1,188,496</u>
	1,244,798	1,232,129
Accumulated depreciation	<u>(1,225,028)</u>	<u>(1,223,504)</u>
Property and equipment, net	<u>\$ 19,770</u>	<u>\$ 8,625</u>

9. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Promises to give, net, time restricted	\$ 21,975	\$ 63,164
Long-term promises to give, net – Endowment	564,431	-
Endowment	251,500	-
Program services	<u>386,069</u>	<u>263,230</u>
	<u>\$ 1,223,975</u>	<u>\$ 326,394</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Transferred to unrestricted with permission of original donor	\$ -	\$ 100,000
Promises to give, net, time restricted	63,164	31,720
Program services	<u>253,125</u>	<u>275,452</u>
	<u>\$ 316,289</u>	<u>\$ 407,172</u>

10. Contributed Nonfinancial Services

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>
Air travel	\$ 2,105,666	\$ -	\$ 2,105,666
Legal services	14,000	-	14,000
Technology services	<u>12,000</u>	<u>-</u>	<u>12,000</u>
	<u>\$ 2,131,666</u>	<u>\$ -</u>	<u>\$ 2,131,666</u>

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For the year ended June 30, 2021, 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>
Flights and donated airfare inventory	\$ 2,572,725	\$ -	\$ 2,572,725
Fee waivers	18,700	-	18,700
Legal services	13,125	-	13,125
Rent	8,000	-	8,000
Other professional services	4,635	-	4,635
Software and technology services	4,500	-	4,500
	<u>\$ 2,621,685</u>	<u>\$ -</u>	<u>\$ 2,621,685</u>

Contributed items were utilized in the following programs:

<u>Contributed Items</u>	<u>Programs</u>
Air travel	Volunteer Pilot Support
Legal services	Management and general
Technology services	Management and general
Rent	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 DE Decker" which calculates the contributed nonfinancial service based on the most up to date data and aircraft operating cost.
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.
Rent	Square footage of donated space multiplied by the going per square foot rate for similar space and re-evaluated annually.

11. Endowments

The management of donor-restricted 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 1 individual fund 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 board-designated 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, 2022, was:

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 851,931	\$ 851,931
Accumulated investment gains	<u>49</u>	<u>-</u>	<u>49</u>
Total endowment funds	<u><u>\$ 49</u></u>	<u><u>\$ 851,931</u></u>	<u><u>\$ 851,980</u></u>

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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	\$ -	\$ -	\$ -
Investment return, net	49	-	49
Contributions	-	251,500	251,500
Promises to give, net	-	564,431	564,431
Endowment net assets, end of year	<u>\$ 49</u>	<u>\$ 815,931</u>	<u>\$ 815,980</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. These funds will be distributed in varying yields, but those which remain in less risk categories.
- 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.
- The investment approach will be in the lowest risk and with the greatest liquidity, but which still produce a positive yield.

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 board-designated endowment funds. 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 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 Policy, 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 to spend 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.

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, 2022 and 2021, the fees from related parties for accounting services totaled \$6,000.

13. Lease Commitments

The Organization has various leases for office equipment including a copier and postage machine under non-cancelable agreements.

The total future minimum required commitment for the year ended June 30, 2023 is \$4,316. The total amount of rental expense was \$5,603 and \$5,376 for the years ended June 30, 2022 and 2021, 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 \$200 to \$300 per passenger processed. Substantially all of the MOAs have expired, but are continuing to operate under an automatic renewal provision. 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.

The Organization entered into an agreement with a service provider to receive data hosting services. The total minimum required future commitment for the year ended June 30, 2023 is \$22,710.

The total amount of data hosting service expense was \$63,482 and \$22,026 in 2022 and 2021, respectively, and is included in Internet expense in the statements of functional expenses.