

Mercy Medical Angels

Financial Statements

Years Ended June 30, 2020 and 2019

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Independent Auditors' Report

Board of Directors
Mercy Medical Angels
Virginia Beach, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Mercy Medical Angels (a nonprofit Organization), which comprise the statements of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Medical Angels as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Summarized Comparative Information

We have previously audited Mercy Medical Angels' 2019 financial statements, and our report dated September 11, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dixon Hughes Goodman LLP

**Norfolk, Virginia
September 5, 2020**

Mercy Medical Angels
Statements of Financial Position
June 30, 2020 with Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 744,823	\$ 304,207
Promises to give, net	88,160	163,882
Accounts receivable	1,139	8,425
Prepaid expenses	<u>3,236</u>	<u>6,420</u>
Total current assets	837,358	482,934
Long-lived assets held for sale	571,200	-
Property and equipment, net	<u>-</u>	<u>695,845</u>
Total assets	<u><u>\$ 1,408,558</u></u>	<u><u>\$ 1,178,779</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 63,985	\$ 74,950
Deposits	3,150	1,825
Deferred revenue	1,850	-
Notes payable, current	<u>14,503</u>	<u>13,831</u>
Total current liabilities	83,488	90,606
Refundable advance	116,500	-
Long-term notes payable, less current portion	<u>245,411</u>	<u>259,663</u>
Total liabilities	445,399	350,269
Net assets:		
Without donor restrictions	463,325	639,318
With donor restrictions	<u>499,834</u>	<u>189,192</u>
Total net assets	<u>963,159</u>	<u>828,510</u>
Total liabilities and net assets	<u><u>\$ 1,408,558</u></u>	<u><u>\$ 1,178,779</u></u>

See accompanying notes.

Mercy Medical Angels
Statements of Activities
Year Ended June 30, 2020 with Comparative Totals for 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Contributions and revenue:				
In-kind donations, services	\$ 2,430,606	\$ -	\$ 2,430,606	\$ 3,149,935
Donations and grants	784,357	474,995	1,259,352	1,039,382
MOU partnership income	83,060	-	83,060	111,010
Airline booking fees	25,731	-	25,731	24,334
Total contributions	<u>3,323,754</u>	<u>474,995</u>	<u>3,798,749</u>	<u>4,324,661</u>
Other revenue:				
Rental income	45,023	-	45,023	37,440
Other income	10,271	-	10,271	6,058
Interest income	121	-	121	139
Total other revenue	<u>55,415</u>	<u>-</u>	<u>55,415</u>	<u>43,637</u>
Net assets released from restrictions	<u>164,353</u>	<u>(164,353)</u>	<u>-</u>	<u>-</u>
Total contributions and revenues	<u>3,543,522</u>	<u>310,642</u>	<u>3,854,164</u>	<u>4,368,298</u>
Expenses				
Program:				
Airline patient travel	1,222,147	-	1,222,147	1,760,720
Volunteer pilot patient travel	1,257,654	-	1,257,654	1,611,388
Ground patient travel	591,753	-	591,753	659,104
Total program services	<u>3,071,554</u>	<u>-</u>	<u>3,071,554</u>	<u>4,031,212</u>
Supporting services:				
General and administrative	205,811	-	205,811	179,813
Fundraising	275,266	-	275,266	163,161
Total supporting services	<u>481,077</u>	<u>-</u>	<u>481,077</u>	<u>342,974</u>
Loss on uncollectible promises to give	54,950	-	54,950	39,293
Impairment loss	111,934	-	111,934	-
Total expenses and losses	<u>3,719,515</u>	<u>-</u>	<u>3,719,515</u>	<u>4,413,479</u>
Change in net assets	<u>(175,993)</u>	<u>310,642</u>	<u>134,649</u>	<u>(45,181)</u>
Net assets, beginning of year	<u>639,318</u>	<u>189,192</u>	<u>828,510</u>	<u>873,691</u>
Net assets, end of year	<u>\$ 463,325</u>	<u>\$ 499,834</u>	<u>\$ 963,159</u>	<u>\$ 828,510</u>

See accompanying notes.

Mercy Medical Angels
Statements of Functional Expenses
Year Ended June 30, 2020 with Comparative Totals for 2019

	Airline Patient Travel	Volunteer Pilot Patient Travel	Ground Patient Travel	Total Programs Services	Management and General	Fundraising	Total Support Services	Total 2020	Total 2019
In-kind service expense	\$ 1,148,957	\$ 1,230,094	\$ -	\$ 2,379,051	\$ 33,555	\$ -	\$ 33,555	\$ 2,412,606	\$ 3,103,990
Salaries	40,912	9,841	338,539	389,292	94,351	150,610	244,961	634,253	593,286
Patient travel	6,462	7,754	66,040	80,256	-	-	-	80,256	75,616
Internet expense	4,544	1,093	37,600	43,237	10,479	16,728	27,207	70,444	65,611
Payroll taxes	2,881	693	23,844	27,418	6,645	10,608	17,253	44,671	40,961
Special events	-	-	-	-	-	40,061	40,061	40,061	28,646
Consulting	2,273	547	18,810	21,630	5,242	8,368	13,610	35,240	22,186
Accounting	1,791	431	14,817	17,039	4,129	6,592	10,721	27,760	27,640
Benefits	1,741	419	14,409	16,569	4,016	6,410	10,426	26,995	26,433
Repairs and maintenance	1,169	281	9,675	11,125	2,697	4,305	7,002	18,127	4,546
In-kind legal services	-	-	-	-	18,000	-	18,000	18,000	18,000
Licenses and fees	1,115	268	9,230	10,613	2,573	4,106	6,679	17,292	96,631
Insurance expense	1,083	260	8,959	10,302	2,497	3,986	6,483	16,785	18,046
Depreciation	1,052	253	8,705	10,010	2,425	3,872	6,297	16,307	109,757
Office utilities	951	229	7,869	9,049	2,193	3,501	5,694	14,743	18,009
Interest expense	833	200	6,890	7,923	1,920	3,065	4,985	12,908	13,516
Conferences and training	1,038	713	4,148	5,899	1,853	4,078	5,931	11,830	18,475
Office supplies	735	177	6,081	6,993	1,695	2,705	4,400	11,393	12,697
Communications	729	175	6,034	6,938	1,682	2,684	4,366	11,304	18,134
Miscellaneous expense	585	141	4,839	5,565	1,349	2,153	3,502	9,067	3,897
Promotional materials	2,075	3,069	2,075	7,219	164	164	328	7,547	19,356
Rent expense	-	-	-	-	5,285	-	5,285	5,285	-
Printing and reproduction	270	65	2,237	2,572	623	995	1,618	4,190	2,605
Postage and delivery	951	951	952	2,854	75	75	150	3,004	7,909
Legal fees	-	-	-	-	2,283	-	2,283	2,283	210
Advertising and outreach	-	-	-	-	-	200	200	200	20
Travel	-	-	-	-	80	-	80	80	64
In-kind professional services	-	-	-	-	-	-	-	-	27,945
Total expenses	<u>\$ 1,222,147</u>	<u>\$ 1,257,654</u>	<u>\$ 591,753</u>	<u>\$ 3,071,554</u>	<u>\$ 205,811</u>	<u>\$ 275,266</u>	<u>\$ 481,077</u>	<u>\$ 3,552,631</u>	<u>\$ 4,374,186</u>

See accompanying notes.

Mercy Medical Angels
Statements of Cash Flows
Years Ended June 30, 2020 with Comparative Totals for 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 134,649	\$ (45,181)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	16,307	109,757
Impairment loss	111,934	-
Loss on uncollectible promises to give	54,950	39,293
Change in:		
Refundable advance	116,500	-
Promises to give, net	20,772	(39,988)
Grants receivable	-	33,628
Accounts receivable	7,286	2,035
Prepaid expenses	3,184	40,716
Accounts payable and accrued expenses	(10,965)	35,472
Deposits	1,325	-
Deferred revenue	1,850	-
Net cash provided by operating activities	<u>457,792</u>	<u>175,732</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(3,596)</u>	<u>-</u>
Net cash used by investing activities	<u>(3,596)</u>	<u>-</u>
Cash flows from financing activities:		
Payments of notes payable	<u>(13,580)</u>	<u>(12,973)</u>
Net cash used by financing activities	<u>(13,580)</u>	<u>(12,973)</u>
Net change in cash	440,616	162,759
Cash, beginning of year	<u>304,207</u>	<u>141,448</u>
Cash, end of year	<u><u>\$ 744,823</u></u>	<u><u>\$ 304,207</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u><u>\$ 12,909</u></u>	<u><u>\$ 13,516</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

Comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for 2019, from which the summarized information was derived.

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 in-kind donations and 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 result from contributions and other inflows of assets whose use is limited by stipulations imposed by donors and grantors. Such restrictions either expire by the passage of time or are met by actions of the Organization pursuant to those stipulations.

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

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.

Grants receivable and promises to give, net

Grants receivable and promises to give are stated at the amount management expects to collect from balances outstanding at year-end. Grants receivable represent amounts due from various affiliated partner charities and other grantors. Promises to give represent amounts due from the Combined Federal Campaign (CFC). 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. For the years ended June 30, 2020 and 2019, management has established an allowance for uncollectible accounts of \$21,925 and \$29,839, respectively. See Note 5 for more information.

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, 2020, the Organization had \$455,723 on deposit in excess of the amount insured by the FDIC. On June 30, 2019, the Organization had did not have any amounts on deposit in excess of the amount insured by the FDIC. 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. Donated 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 statement 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 noncash 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.

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 \$20 and \$200 for 2020 and 2019, 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.

Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through September 5, 2020, the date on which the financial statements were available to be issued.

Recent accounting pronouncements

During 2020, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance as described below and (2) determining whether a contribution is conditional.

In May 2014, the FASB issued ASU No. 2014-09: Revenue from Contracts with Customers (Topic 606). ASU 2014-09 and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP, excluding nonreciprocal contribution transactions describe in Topic 958 and some other specific exclusions such as Leases (Topic 840) and Investments (Topic 320). The ASU No. 2014-09 also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted this new standard effective July 1, 2019, the first day of the Organization's year using the modified retrospective approach.

As part of the adoption of the ASU No. 2014-09, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of these standards did not result in a material difference from the previous policy and therefore, the Organization's beginning net assets has not been adjusted to reflect any adjustments.

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, which are, on average, approximately \$300,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Short Term Assets

The Organization has \$833,608 of short-term financial assets available within one year of the financial position date to meet cash needs for general expenditure consisting of cash of \$744,823 and promises to give due in less than one year, net of allowances, of \$63,160. \$75,500 of the Organization's short-term assets are subject to implied time and purpose restrictions. \$336,173 of the Organization's short-term assets are subject to various donor restrictions which are expected to be satisfied within one year.

Long Term Assets

The Organization owns real property consisting of approximately 7,400 square feet of Class C office space. The property is currently used for the business operations of Mercy Medical Angels, approximately 3,800 square feet, and approximately 3,600 square feet leased to five separate entities providing approximately \$45,000 in annual gross income. The lease income covers the annual building expense.

In July 2020, the building was listed for sale and a contract to purchase was signed shortly thereafter. The purchase price is \$595,000 less a 4% commission to the commercial broker. This sale will provide \$311,286 in cash to the Organization. See note 7.

4. Revenue from Exchange Transactions

The Organization has memorandums of understanding (MOUs) 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. MOU partnership income is recognized at a point in time when the patient transportation to the MOU partner is complete.

Rental income is recognized over time on a monthly basis in accordance with the terms of each tenant's lease.

Exchange transactions by type are as follows:

	<u>2020</u>	<u>2019</u>
MOU partnership income recognized at a point in time	\$ 83,060	\$ 111,010
Rental income recognized over time	<u>45,023</u>	<u>37,440</u>
	<u><u>\$ 128,083</u></u>	<u><u>\$ 148,450</u></u>

5. Promises to Give

Promises to give are as follows:

	<u>2020</u>	<u>2019</u>
CFC due in less than one year	\$ 53,784	\$ 193,721
Pledges receivable due in less than one year	31,301	-
Pledges receivable due in one to five years	25,000	-
Allowance for promises to give	<u>(21,925)</u>	<u>(29,839)</u>
	<u><u>\$ 88,160</u></u>	<u><u>\$ 163,882</u></u>

6. Conditional Contributions

The organization received conditional grant agreements with airlines to be used for transportation purposes as follows during 2020:

Southwest Airlines: Donated 800 e-passes with a value of \$200 per e-pass. All e-passes must be used by December 31, 2020. As of June 30, 2020, the Organization had used 174 e-passes.

American Airlines: Donated 35,000,000 AAdvantage miles with a carry over of 29,892,294 miles from 2019. As of June 30, 2020, the Organization had used 27,848,206 miles with a remaining balance of 7,151,794 miles that can be used by December 31, 2020 or may be carried over into 2021. The value of the remaining miles cannot be determined, as the value based on the cost of flights at the time of booking the flight.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act is the establishment of the Paycheck Protection Program (PPP) under the Small Business Administration's 7(a) program. The PPP provides for loans to be made to small businesses effected by the COVID-19 pandemic. If certain criteria are met, small businesses receiving PPP loans may have all or a portion of the loans forgiven, effectively converting the outstanding balance and accrued interest to a grant. Any portion of PPP loans not forgiven have a term of five years and bear interest at 1.0%, with repayments deferred for six months. In April 2020, the Company received a PPP loan of \$116,500. The Organization expects to meet the eligibility criteria for forgiveness and has concluded that the loan is in substance a grant that is expected to be forgiven, and has therefore accounted for the grant as a conditional contribution. \$116,500 has been recorded as a refundable advance liability on the statement of financial position representing the amount which the Organization would have to repay if the conditions are not met.

7. Property and Equipment

Major classes of property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 331,058	\$ 391,500
Buildings and improvements	473,842	521,738
Furniture and equipment	34,050	34,050
Information system	<u>1,188,496</u>	<u>1,188,496</u>
	2,027,446	2,135,784
Accumulated depreciation	(1,456,246)	(1,439,939)
Long-term assets held for sale	<u>(571,200)</u>	<u>-</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ 695,845</u>

During 2020, the Organization accepted an offer to sell the corporate office in Virginia Beach, VA and intends to close on the sale in August 2020. The third-party offer of \$595,000 plus estimated closing costs of \$23,800 was determined to be less than the carrying value of the assets and resulted in an impairment write-down of \$111,934 for assets that have been identified as held-for-sale by the Organization. The write-down is included in general and administrative expenses and the increase in net assets without restrictions from continuing operations in the Organization's 2020 statement of activities. In accordance with GAAP, when an impairment write-down on held-for-sale assets is required, the related assets are adjusted to their estimated fair value less cost to sell. In determining fair value, the Organization considered the purchase price accepted. The estimated market value of the assets written down in 2020, consisting primarily of the land, building and improvements, was approximately \$571,200.

Mercy Medical Angels
Notes to Financial Statements

The assets held for sale include all of the Organization's land, buildings and improvements. The assets held for sale do not include the Organization's information systems, furniture and equipment. The information systems, furniture and equipment are fully depreciated as of June 30, 2020 and have a net book value of zero.

8. Notes Payable

The Organization secured a note payable in the amount of \$375,000 through TowneBank, bearing an interest rate of 4.75% and is collateralized by real property. The note is payable in consecutive monthly payments of \$2,207 including principle and interest. Interest paid on this note was \$12,909 and \$13,516 for the years ended June 30, 2020 and 2019, respectively. The balance at June 30, 2020 and 2019 was \$259,914 and \$273,494, respectively.

Loan maturities for each five years and thereafter are as follows:

Years Ending June 30,	
2021	\$ 14,503
2022	15,208
2023	15,945
2024	16,720
2025	17,531
Thereafter	<u>180,007</u>
	<u>\$ 259,914</u>

9. Net Assets with Donor Restrictions

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

	2020	2019
Promises to give, net, time restricted	\$ 88,160	\$ 25,000
Program and time restricted	75,500	-
Program services	<u>336,173</u>	<u>164,194</u>
	<u>\$ 499,833</u>	<u>\$ 189,192</u>

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

	2020	2019
Promises to give, net, time restricted	\$ 25,000	\$ 143,264
Grants receivable from non-affiliated organizations for fiscal year, time restricted	-	2,837
Program services	<u>139,353</u>	<u>95,316</u>
	<u>\$ 164,353</u>	<u>\$ 241,417</u>

Investment Fund

Also, as part of its liquidity management, the Organization will establish an investment fund during fiscal year 2021. In fiscal year 2020, \$75,620 was approved by the Organization's Board of Directors as part of the budget.

10. Donated Services

During the years ended June 30, 2020 and 2019 the following types of professionals donated their services:

	<u>2020</u>	<u>2019</u>
Flights and donated airfare inventory	\$ 2,379,051	\$ 3,095,388
Professional services	-	27,945
Legal services	18,000	18,000
Fee waivers	15,250	-
Software and technology services	<u>18,305</u>	<u>8,602</u>
Total donated services	<u>\$ 2,430,606</u>	<u>\$ 3,149,935</u>

11. Related Parties

As a member of Air Charity Network, Mercy Medical Angels works cooperatively with the other members to provide charitable transportation to medical care across the United States. Mercy Medical Angels 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, 2020 and 2019, the fees from related parties for accounting services totaled \$6,000 and \$3,000, respectively.

12. Lease Commitments

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

The total minimum required commitment at June 30, 2020 is as follows:

<u>Years Ending</u> <u>June 30,</u>	
2021	\$ 4,422
2022	4,422
2023	<u>4,316</u>
	<u>\$ 13,160</u>

The total amount of rental expense was \$5,285 and \$22,305 for the years ended June 30, 2020 and 2019, respectively.

13. Other Commitments

The Organization entered into various memorandums of understanding with other various companies to provide transportation in exchange for a fee of \$150 per passenger processed. Substantially all of the MOUs have expired, but are continuing to operate under an automatic renewal provision. The MOUs will continue to automatically renew unless terminated by either party. These fees are included as MOU partnership income in the statement of activities.

The Organization entered into an agreement with a service provider to receive data hosting services.

The total minimum required commitment at June 30, 2020 is as follows:

Years Ending
June 30,

2021	\$	22,026
2022		<u>22,710</u>
	\$	<u><u>44,736</u></u>

The total amount of data hosting service expense was \$17,334 in 2020 and is included in Internet expense in the statement of functional expenses.

14. Subsequent Events

Subsequent to the balance sheet date, the outbreak and spread of the COVID -19 virus that was classified as a pandemic by the World Health Organization has continued to impact operations. The spread of the virus may disrupt the Organization's operations along with the operations of the Organization's health partners and suppliers. These disruptions could adversely affect the Organization's ability to obtain and deliver services. The economic uncertainty caused by the virus has not been fully determined but could have a significant impact on the Organization's financial condition, results of operations, and cash flows. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.