

Mercy Medical Angels

Financial Statements

Year Ended June 30, 2017

Table of Contents

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



Independent Auditors' Report

Board of Directors
Mercy Medical Angels
Virginia Beach, Virginia

We have audited the accompanying financial statements of Mercy Medical Angels (a nonprofit Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements 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 audit. We conducted our audit 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, 2017, 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.

Dixon Hughes Goodman LLP

**Norfolk, Virginia
December 15, 2017**

Mercy Medical Angels
Statement of Financial Position
For the Year Ended June 30, 2017

ASSETS

Current assets:

Cash	\$ 176,821
Promises to give, net	7,335
Grants receivable	220,573
Prepaid expenses	12,252
Total current assets	416,981

Investment	289,907
Property and equipment, net	999,142

Total assets	\$ 1,706,030
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 25,682
Deposits	2,158
Notes payable, current	12,580
Total current liabilities	40,420

Long-term notes payable	285,227
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Total liabilities	325,647
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Net assets:

Unrestricted net assets	1,112,003
Temporarily restricted net assets	268,380
Total net assets	1,380,383

Total liabilities and net assets	\$ 1,706,030
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Mercy Medical Angels
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions and revenue:			
In-kind donations, services	\$ 3,831,445	\$ -	\$ 3,831,445
Donations and grants	401,551	262,749	664,300
Total contributions	<u>4,232,996</u>	<u>262,749</u>	<u>4,495,745</u>
Other revenue:			
Realized gain on investment	27,231	-	27,231
Rental income	34,185	-	34,185
Other income	1,481	-	1,481
Interest income	144	-	144
Total other revenue	<u>63,041</u>	<u>-</u>	<u>63,041</u>
Net assets released from restrictions	<u>311,494</u>	<u>(311,494)</u>	<u>-</u>
Total contributions and revenues	<u>4,607,531</u>	<u>(48,745)</u>	<u>4,558,786</u>
Expenses			
Program:			
Airline mode patient travel	2,062,873	-	2,062,873
Volunteer pilot mode patient travel	2,232,671	-	2,232,671
Ground mode patient travel	351,373	-	351,373
Public education	110,265	-	110,265
Total program services	<u>4,757,182</u>	<u>-</u>	<u>4,757,182</u>
Supporting services:			
General and administrative	165,662	-	165,662
Fundraising	95,257	-	95,257
Total supporting services	<u>260,919</u>	<u>-</u>	<u>260,919</u>
Loss on uncollectible promises to give	<u>11,532</u>	<u>-</u>	<u>11,532</u>
Total expenses and losses	<u>5,029,633</u>	<u>-</u>	<u>5,029,633</u>
Change in net assets	(422,102)	(48,745)	(470,847)
Net assets, beginning of year	<u>1,534,105</u>	<u>317,125</u>	<u>1,851,230</u>
Net assets, end of year	<u>\$ 1,112,003</u>	<u>\$ 268,380</u>	<u>\$ 1,380,383</u>

See accompanying notes.

Mercy Medical Angels
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Airline Mode Patient Travel	Volunteer Pilot Mode Patient Travel	Ground Mode Patient Travel	Public Education	Total Programs	Management and General	Fundraising	Total Support Services	Total
In-kind service expense	\$ 1,710,346	\$ 2,109,099	\$ -	\$ -	\$ 3,819,445	\$ -	\$ -	\$ -	\$ 3,819,445
Salaries	167,346	67,500	147,097	36,422	418,365	80,250	51,514	131,764	550,129
Depreciation	79,042	17,985	72,914	17,784	187,725	5,928	3,952	9,880	197,605
Accounting	-	-	-	-	-	52,780	-	52,780	52,780
Licenses and fees	18,374	4,134	16,996	4,134	43,638	1,378	919	2,297	45,935
Patient travel	4,088	-	36,713	-	40,801	-	-	-	40,801
Payroll taxes	12,802	5,166	11,253	2,789	32,010	4,848	2,649	7,497	39,507
Internet expense	13,460	3,035	12,478	3,035	32,008	1,011	701	1,712	33,720
Miscellaneous expense	4,047	2,837	3,762	13,871	24,517	1,265	780	2,045	26,562
Benefits	8,678	3,458	7,937	2,223	22,296	2,400	-	2,400	24,696
Advertising and outreach	5,955	5,955	5,955	5,955	23,820	-	-	-	23,820
Consulting	1,133	1,808	1,133	773	4,847	-	17,369	17,369	22,216
Communications	8,011	1,803	7,410	1,802	19,026	601	401	1,002	20,028
Office supplies	7,115	1,601	6,581	1,601	16,898	533	356	889	17,787
Office utilities	6,505	1,466	6,060	1,467	15,498	489	309	798	16,296
Interest expense	1,995	1,994	1,994	1,994	7,977	7,977	-	7,977	15,954
Legal fees	-	-	-	-	-	-	15,663	15,663	15,663
Repairs and maintenance	3,336	962	3,106	690	8,094	5,029	151	5,180	13,274
Travel	-	-	-	9,487	9,487	-	-	-	9,487
Insurance expense	3,563	801	3,296	802	8,462	267	180	447	8,909
Promotional materials	1,903	1,903	1,903	1,903	7,612	-	-	-	7,612
Postage and delivery	1,944	437	1,798	438	4,617	146	97	243	4,860
Printing and reproduction	1,677	378	1,551	377	3,983	126	83	209	4,192
Conferences and training	1,094	246	1,012	274	2,626	-	110	110	2,736
Rent expense	-	-	-	2,340	2,340	-	-	-	2,340
Memberships	459	103	424	104	1,090	34	23	57	1,147
Grant expense	-	-	-	-	-	600	-	600	600
Total expenses	\$ 2,062,873	\$ 2,232,671	\$ 351,373	\$ 110,265	\$ 4,757,182	\$ 165,662	\$ 95,257	\$ 260,919	\$ 5,018,101

See accompanying notes.

Mercy Medical Angels
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash flows from operating activities:	
Change in net assets	\$ (470,847)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	197,605
Loss on uncollectible promises to give	11,532
Realized gain on investment, net of fees	(25,773)
Change in:	
Promises to give, net	(3,047)
Grants receivable	96,552
Prepaid expenses	(6,865)
Accounts payable	8,994
Deposits	<u>1,083</u>
Net cash used by by operating activities	<u>(190,766)</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(4,800)</u>
Cash flows form financing activities	
Payments of notes payable	<u>(12,822)</u>
Net change in cash	(208,388)
Cash, beginning of year	<u>385,209</u>
Cash, end of year	<u>\$ 176,821</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 15,954</u>

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. For maximum efficiency and to eliminate duplication of costs or services, the Organization provides services for program operations, administrative services, 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 agreements. These affiliated organizations provide grants to the Organization for program operations only.

The major programs of the Organization are as follows:

Airline Mode Patient Travel Program - When patient travel exceeds 750 miles or there are reasons a patient cannot fly on light aircraft, MMA coordinates travel with a major airline. MMA has partnerships with most of the major airlines in the United States.

Volunteer Pilot Mode 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 Mode 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).

Public Education Program – Mercy Medical Angels operates a nationwide community outreach and education program with specific emphasis on educating the medical and public health sectors about the operations of charitable long distance patient transport via different modes of transportation.

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.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The classes of net assets are described as follows:

Unrestricted amounts are those currently available at the discretion of the Organization’s Board of Directors for use in the Organization’s operations.

Mercy Medical Angels Notes to Financial Statements

Temporarily restricted amounts are limited by donor imposed time restrictions or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions are reported as unrestricted support if the restrictions are met in the same reporting period.

Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. The Organization has no permanently restricted net assets.

Public support and revenue

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Grants and other contributions of cash and other assets are reported as temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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. The services are recorded at their fair values in the period received.

Cash and cash equivalents

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

Grants receivable and promises to give

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 year ended June 30, 2017, management has established an allowance for uncollectible accounts of \$13,835.

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of interest-bearing transaction accounts and grants receivable. The Organization places its interest-bearing transaction accounts with high credit quality financial institutions. On June 30, 2017, the Organization did not have any amounts on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). 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.

Contributed services

The Organization receives significant contributions of transportation services from various airlines and subsidizes 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 \$23,820 for 2017.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 December 15, 2017, the date on which the financial statements were available to be issued.

Mercy Medical Angels
Notes to Financial Statements

3. Investment

The Organization established a perpetual endowment fund with the Norfolk Foundation (now called the Hampton Roads Community Foundation) in 2003 with an original investment of \$25,000. The Organization has invested an additional \$136,100 since that time. The purpose of the fund is to provide support for the Organization. The Organization can receive annual cash distributions from the fund equal to five percent of the average market value of the fund over the previous 12 quarters. If the Organization chooses to withdraw more than the amount it needs an affirmative vote of three-fourths of its governing body and the approval of the Hampton Roads Community Foundation's board of directors. The investment is recorded at its fair market value in the statement of financial position. As of June 30, 2017, the value of the fund was \$289,907, and all investments were held as cash investments, which are Level 1 investments.

4. Grants Receivable

The organization provides management and program services to various affiliated partner charity organizations. The following operational grants were pledged from these organizations to help defray Mercy Medical Angel's cost for these services:

Affiliated organizations:	
Angel Canines for Wounded Warriors	\$ 117,366
Angel Wheels	22,500
Angel Airlift Mid Atlantic	12,000
Angel Flight of Maryland	10,136
Angel Airlines for Veterans	10,000
Angel Airlift Mid-Atlantic	10,000
Angel Flight Virginia	7,140
Air Charity Network	4,000
Angel Airlines for PTSD Recovery	1,500
Adaptive Sports Access for Wounded Warriors	1,000
Children's Angel Airlines	1,000
Angel Airlines Samaritans	1,000
Angel Airlines for Life	1,000
Other	1,431
Angel Airlines for Cancer Patients	500
Total affiliated organizations	<u>200,573</u>

Other grants receivable consist of the following:

E.C. Wareheim Foundation	<u>20,000</u>
Total grants receivable	<u>\$ 220,573</u>

5. Promises to Give

Promises to give are as follows:

CFC due in less than one year	\$ 21,170
Allowance for promises to give	<u>(13,835)</u>
	<u>\$ 7,335</u>

Mercy Medical Angels
Notes to Financial Statements

6. Conditional Promises to Give

During 2017, the Organization received a restricted grant totaling \$45,000 that contained donor conditions. Since this grant represents a conditional promise to give, it is not recorded as contribution revenue until donor conditions are met. During 2017, two steps of the conditions were met and the donor sent \$22,500 of the grant, which was recorded as contribution revenue. The remaining \$22,500 will be recognized as contribution revenue when the remaining donor conditions are met.

7. Property and Equipment

Major classes of property and equipment consist of the following as of June 30, 2017:

Land	\$ 391,500
Buildings and improvements	521,738
Furniture and equipment	34,050
Mercy Medical Angels information system	<u>1,188,496</u>
	2,135,784
Accumulated depreciation	<u>(1,136,642)</u>
Property and equipment, net	<u>\$ 999,142</u>

8. Notes Payable

The Organization secured a note payable in the amount of \$375,000 through Towne Bank, bearing an interest rate of 4.75%. The note is payable in consecutive monthly payments of \$2,207. Interest paid on this note was \$15,954 for the year ended June 30, 2017.

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

<u>Years Ending</u> <u>June 30,</u>	
2018	\$ 12,580
2019	13,192
2020	13,831
2021	14,503
2022	15,208
Thereafter	<u>228,493</u>
	<u>\$ 297,807</u>

9. Temporarily Restricted Net Assets

Temporarily restricted net assets of the Organization consisted of the following as of June 30, 2017:

Grants receivable from affiliated organizations for fiscal year (time restriction)	\$ 200,573
Grants receivable from non-affiliated organizations for fiscal year (time restriction)	20,000
Promises to give, net	7,335
Website hosting and maintenance	15,000
Program services	<u>25,472</u>
	<u>\$ 268,380</u>

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

Grants receivable from affiliated organizations for fiscal year (time restriction)	\$ 266,966
Website hosting and maintenance	7,500
Program services	<u>37,028</u>
	<u>\$ 311,494</u>

10. Donated Services

During the year ended June 30, 2017 the following types of professionals donated their services:

Flights and donated airfare inventory	\$ 3,819,445
Professional services	<u>12,000</u>
Total donated services	<u>\$ 3,831,445</u>

11. Related Parties

For maximum efficiency and to eliminate duplication of costs or services, the Organization provides services for program operations of affiliated partner charities. The Organization provides 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. These affiliated organizations provide grants to the Organization for program operations only.

For the year ended June 30, 2017, that amount totaled \$446,056.