

MERCY MINISTRIES OF AMERICA, INC.
Financial Statements
And
Independent Auditors' Report
Years Ended December 31, 2011 and 2010

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BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mercy Ministries of America, Inc.

We have audited the accompanying statement of financial position of Mercy Ministries of America, Inc. (a Louisiana not-for-profit corporation, the "Ministry") as of December 31, 2011 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Ministry's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Mercy Ministries of America, Inc. as of December 31, 2010, were audited by other auditors whose report dated April 4, 2011, expressed an unqualified opinion on those statements.

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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Ministries of America, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

February 29, 2012

MERCY MINISTRIES OF AMERICA, INC.

Statements of Financial Position

December 31, 2011 and 2010

ASSETS

	2011	2010
Current assets		
Cash	\$ 191,151	\$ 149,196
Contributions receivable	130,670	130,427
Other receivables	232	16,958
Inventory	163,925	280,013
Prepaid expenses	47,954	125,655
Other current assets	<u>22,921</u>	<u>60,271</u>
Total current assets	<u>556,853</u>	<u>762,520</u>
Property and equipment, net		
Land	1,055,280	1,055,280
Land - undeveloped	1,040,525	1,040,525
Buildings and improvements	6,406,918	6,397,120
Equipment and furniture	2,287,782	2,266,102
Vehicles	336,898	290,385
Website development	<u>24,530</u>	<u>71,770</u>
	11,151,933	11,121,182
Less accumulated depreciation and amortization	<u>4,295,450</u>	<u>3,951,045</u>
Property and equipment, net	<u>6,856,483</u>	<u>7,170,137</u>
Land held for sale	<u>2,003,323</u>	<u>2,003,323</u>
Total Assets	<u>\$ 9,416,659</u>	<u>\$ 9,935,980</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Line of credit	\$ -	\$ 84,955
Accounts payable	83,836	74,073
Accrued expenses	164,540	131,952
Current portion of notes payable	94,116	2,157,594
Current portion of capital lease obligations	<u>24,228</u>	<u>26,089</u>
Total current liabilities	366,720	2,474,663
Notes payable, net of current portion	1,789,548	-
Long term portion of capital lease obligations	2,677	26,905
Net assets		
Unrestricted	7,242,989	7,430,019
Temporarily restricted	<u>14,725</u>	<u>4,393</u>
Total Liabilities and Net Assets	<u>\$ 9,416,659</u>	<u>\$ 9,935,980</u>

The accompanying notes are an integral part of these financial statements.

MERCY MINISTRIES OF AMERICA, INC.
Statements of Activities and
Changes in Net Assets
Years Ended December 31, 2011 and 2010

	2011	2010
Changes in Unrestricted Net Assets		
Unrestricted support and revenues		
Contributions	\$ 7,157,276	\$ 6,179,227
Special events	893,001	676,903
Adoption application fees	4,450	3,525
Resource sales	118,816	95,400
In-kind donations	158,725	90,586
Interest income	2	2
Other income	4,382	4,119
	<u>8,336,652</u>	<u>7,049,762</u>
Total Unrestricted Support and Revenues	<u>8,336,652</u>	<u>7,049,762</u>
Net assets released from restrictions	<u>568,385</u>	<u>1,409,127</u>
	<u>8,905,037</u>	<u>8,458,889</u>
Functional Expenses		
Counseling and outreach	7,594,261	7,243,434
Management and general	753,333	999,869
Fundraising	744,473	699,947
	<u>9,092,067</u>	<u>8,943,250</u>
Total Unrestricted Functional Expenses	<u>9,092,067</u>	<u>8,943,250</u>
Decrease in unrestricted net assets	<u>(187,030)</u>	<u>(484,361)</u>
Changes in Temporarily Restricted Net Assets		
Contributions	578,717	1,095,095
Net assets released from restrictions	<u>(568,385)</u>	<u>(1,409,127)</u>
	<u>10,332</u>	<u>(314,032)</u>
Increase (decrease) in temporarily restricted net assets	<u>10,332</u>	<u>(314,032)</u>
Decrease in net assets	(176,698)	(798,393)
Net assets - beginning of year	<u>7,434,412</u>	<u>8,232,805</u>
Net assets - end of year	<u><u>\$ 7,257,714</u></u>	<u><u>\$ 7,434,412</u></u>

The accompanying notes are an integral part of these financial statements.

MERCY MINISTRIES OF AMERICA, INC.
Statements of Functional Expenses
Years Ended December 31, 2011 and 2010

	2011			
	Program Services	Supporting Services		
	Counseling and Outreach	Management and General	Fundraising	Total
Salaries	\$ 3,568,810	\$ 275,635	\$ 281,824	\$ 4,126,269
Benefits	623,619	48,164	49,246	721,029
Contract labor	-	7,712	-	7,712
 Total salaries and related expenses	 4,192,429	 331,511	 331,070	 4,855,010
 Tithe	 833,434	 -	 -	 833,434
Marketing and public relations	288,196	-	318,200	606,396
Room and board	566,950	-	-	566,950
Contributions to Mercy Ministries International, Inc.	399,509	-	-	399,509
Professional fees	28,224	158,677	16,860	203,761
Utilities	158,709	12,257	12,532	183,498
Insurance	129,204	9,979	10,203	149,386
Travel, conferences, and meetings	117,757	14,720	14,720	147,197
Computer and equipment	98,777	7,629	7,800	114,206
Interest	-	110,793	-	110,793
Repairs and maintenance	89,456	5,485	2,136	97,077
Cost of resources sold	96,268	-	-	96,268
Occupancy	77,903	2,082	-	79,985
Miscellaneous	10,545	22,276	426	33,247
Telephone	59,832	4,621	4,725	69,178
Automobile	43,584	4,843	-	48,427
Contribution processing charges	-	48,137	-	48,137
Postage	15,867	2,644	7,933	26,444
Office	16,422	1,269	1,298	18,989
 Total expenses before depreciation and amortization	 7,223,066	 736,923	 727,903	 8,687,892
 Depreciation and amortization	 371,195	 16,410	 16,570	 404,175
 Total expenses	 \$ 7,594,261	 \$ 753,333	 \$ 744,473	 \$ 9,092,067

The accompanying notes are an integral part of these financial statements.

	2010			
	Program Services	Supporting Services		
	Counseling and Outreach	Management and General	Fundraising	Total
Salaries	\$ 3,406,002	\$ 436,506	\$ 334,585	\$ 4,177,093
Benefits	633,746	81,220	62,255	777,221
Contract labor	24,303	3,115	2,387	29,805
Total salaries and related expenses	4,064,051	520,841	399,227	4,984,119
Tithe	674,869	-	-	674,869
Marketing and public relations	213,602	-	213,602	427,204
Room and board	496,563	-	-	496,563
Contributions to Mercy Ministries International, Inc.	371,120	-	-	371,120
Professional fees	45,055	202,752	2,504	250,311
Utilities	136,407	17,482	13,400	167,289
Insurance	189,631	24,303	18,628	232,562
Travel, conferences, and meetings	82,311	6,560	6,560	95,431
Computer and equipment	93,120	11,934	9,148	114,202
Interest	-	124,266	-	124,266
Repairs and maintenance	109,342	2,279	-	111,621
Cost of resources sold	78,457	-	-	78,457
Occupancy	94,025	10,448	-	104,473
Miscellaneous	16,890	4,816	16,438	38,144
Telephone	60,486	7,752	5,942	74,180
Automobile	36,265	4,029	-	40,294
Contribution processing charges	-	51,410	-	51,410
Postage	23,859	2,865	8,594	35,318
Office	37,811	4,846	3,714	46,371
Total expenses before depreciation and amortization	6,823,864	996,583	697,757	8,518,204
Depreciation and amortization	419,570	3,286	2,190	425,046
Total expenses	\$ 7,243,434	\$ 999,869	\$ 699,947	\$ 8,943,250

The accompanying notes are an integral part of these financial statements.

MERCY MINISTRIES OF AMERICA, INC.

Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Decrease in net assets	\$ (176,698)	\$ (798,393)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	404,175	425,046
In-kind donations of property and equipment	(3,000)	(10,000)
Provision for inventory obsolescence	-	3,236
Decrease (increase) in		
Contributions receivable	(243)	58,442
Other	16,726	(7,234)
Receivable from affiliate	-	133,351
Inventory	116,088	57,352
Prepaid expenses	77,701	(13,662)
Other assets	37,350	(4,390)
Increase (decrease) in		
Accounts payable	9,762	(173,432)
Accrued expenses	32,588	18,295
Total adjustments	691,147	487,004
Net cash provided (used) by operating activities	514,449	(311,389)
Cash flows from investing activities		
Purchases of property and equipment	(87,520)	(248,532)
Net cash used by investing activities	(87,520)	(248,532)
Cash flows from financing activities		
Change in line of credit, net	(84,955)	84,955
Net (payments) proceeds on notes payable	(273,930)	3,177
Payments on capital leases	(26,089)	(22,715)
Net cash (used) provided by financing activities	(384,974)	65,417
Net increase (decrease) in cash	41,955	(494,504)
Cash - beginning of year	149,196	643,700
Cash - end of year	\$ 191,151	\$ 149,196

The accompanying notes are an integral part of these financial statements.

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements
Years Ended December 31, 2011 and 2010

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Mercy Ministries of America, Inc. (the “Ministry”) is a not-for-profit corporation whose mission is to provide opportunities for young women to experience God’s unconditional love, forgiveness, and life-transforming power. The Ministry primarily serves this mission through a residential counseling program provided free of charge to young women ages 13 to 28 with life-controlling issues such as eating disorders, self-harm, unplanned pregnancy, sexual abuse, addictions and depression. The program is voluntary, lasts approximately six months, and includes biblically-based counseling, nutrition and fitness education and life-skills training. The program takes a Christian approach to treatment by addressing the root cause of the problems, helping young women move past their debilitating circumstances as they recognize and accept their self-worth and preparing them to reach their full potential. Mercy Ministries of America, Inc. currently operates homes in California, Tennessee, Louisiana and Missouri.

In addition to its residential program, the Ministry provides outreach to the community through speaking engagements, a weekly radio show, and resources which educate and bring awareness about life-controlling issues and the opportunity to experience freedom. Resources include: the Ministry’s website, books, and teaching materials for pastors, parents and the general public.

The Ministry has experienced tremendous increase in the global interest and demand for its services. In order to respond to the increase in demand, the Ministry organized a separate not-for-profit during 2007, Mercy Ministries International, Inc. (“MMI”). MMI is custodian and owner of the Mercy Ministries programs on a global basis. MMI provides the Ministry spiritual support and technical assistance with the ongoing operation of existing homes and the start up and initial operation of new homes. The Ministry transferred all rights to its intellectual properties to MMI upon formation.

The Ministry has a Ministry Collaboration Agreement (MCA) with MMI agreeing to adhere to the standards of operation, governance, structure and commitments as defined per the MCA agreement. As part of this agreement, the Board of Directors for the Ministry may make donations to MMI as the Ministry deems appropriate to support its efforts to spread the ministry throughout the world.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements (Continued)
Years Ended December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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 the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Cash

Cash includes funds on deposit with financial institutions.

Contributions Receivable

Contributions receivable represent those contributions received immediately after year end that are dated prior to year end.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities and changes in net assets as net assets released from restrictions. There were no permanently restricted assets at December 31, 2011 and 2010.

Inventory

Inventory consists of paperback copies of books written by the founder of the Ministry, compact discs recorded by the founder of the Ministry and various musicians, and apparel. Inventory is stated at the lower of cost, determined on a first-in, first-out (FIFO) basis, or market (net realizable value).

Long-lived Assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements (Continued)
Years Ended December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation

It is the Ministry's policy to capitalize all property and equipment over \$2,000. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and changes in net assets for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the assets' useful lives using the straight-line method. Buildings and improvements are generally depreciated over seven to 40 years. Equipment and furniture are depreciated over three to ten years. Vehicles are depreciated over five years. Website development costs are amortized over a period of three to seven years.

Assets and Liabilities Measured at Fair Value

Accounting principles generally accepted in the United States of America require the Ministry to disclose the basis for considering market participants assumptions in fair value measurements. Fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Ministry does not have any fair value measurements using level 3 inputs as of December 31, 2011 and 2010.

The carrying amount of financial instruments, consisting of cash, contributions and other receivables, other current assets, accounts payable, accrued expenses and the current installments of notes payable and capital lease obligations approximate their fair value due to their relatively short maturities. Long-term portions of notes payable and capital lease obligations are carried at amortized cost, which approximates fair value.

Accrued Absences

Employees of the Ministry are entitled to paid time off including vacation, sick days, and personal days off, depending on job classification, length of service, and other factors. The Ministry's policy is to recognize the costs of compensated absences when earned. Accrued compensated absences are included with accrued expenses on the accompanying statements of financial position and totaled \$106,926 and \$87,350 at December 31, 2011 and 2010, respectively.

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements (Continued)
Years Ended December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various program services and supporting activities of the Ministry have been summarized on a functional basis. Accordingly, certain expenses have been allocated among program, fundraising, and general and management expenses.

Program expenses consist of the activities that promote the Ministry's vision, including the operation of the residential program, counseling services, Christian education, publication and media that supports the Ministry's mission, and other activities that fulfill the purpose for which the Ministry exists.

Fundraising expenses relate to those activities that promote the growth of contributions, gifts, grants, etc., including conducting fundraising campaigns and events, maintaining donor information, distributing fundraising materials, and conducting other fundraising activities.

Management and general expenses include oversight, business management, and finance activities. These expenses are not identifiable with program or fundraising activities, but are indispensable to the conduct of those activities and to the Ministry's existence.

The Ministry's policy is to report all joint costs not specifically attributable to particular components of the activities, as allocated among program, fundraising, and management and general expenses.

The Ministry donates ten percent of its unrestricted cash contributions as a tithe to other organizations or individuals that are involved in activities aligned with the Ministry's mission and vision.

Income Taxes

The Ministry is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Accounting principles generally accepted in the United States of America require the management to evaluate tax positions taken by the Ministry and recognize a tax liability (or asset) if the Ministry has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Ministry and has concluded that as of December 31, 2011, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Ministry is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements (Continued)
Years Ended December 31, 2011 and 2010

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment, net of accumulated depreciation and amortization, by location as of December 31, 2011 and 2010 is as follows:

	2011	2010
St. Louis, Missouri home	\$ 2,456,703	\$ 2,512,304
Nashville, Tennessee corporate offices	1,619,627	1,690,128
Nashville, Tennessee home	1,061,376	1,132,581
Destin, Florida (undeveloped land)	1,040,525	1,040,525
Lincoln, California home	385,859	477,153
Monroe, Louisiana home	<u>292,393</u>	<u>317,446</u>
	<u>\$ 6,856,483</u>	<u>\$ 7,170,137</u>

The Ministry is leasing the Lincoln, California home from a third party (Note 8).

NOTE 4 - LAND HELD FOR SALE

Land held for sale of \$2,003,323 consists of approximately 8 acres of an 11.75 acre plot of undeveloped land in Florida. The remainder of the land is to be used for a future residential facility and is included in property and equipment.

NOTE 5 - LINE OF CREDIT

The Ministry has an unused, \$500,000 line of credit with a bank as of December 31, 2011. The line of credit is unsecured, bears interest at the bank's prime rate plus .50% with a floor of 5.0% and matures in April 2012.

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements (Continued)
Years Ended December 31, 2011 and 2010

NOTE 6 - NOTES PAYABLE

Notes payable consist of the following as of December 31:

	2011	2010
Note payable to a bank, requiring monthly principal and interest payments of \$15,434 at an annual interest rate of 5.50% with all principal due November 2, 2014. The note is secured by the undeveloped and held for sale Florida land.	\$ 1,872,457	\$ 1,875,000
Note payable to a finance company for insurance payable in monthly installments of \$2,852 including annual interest at 8.50%, maturing April 2012.	11,207	-
Unsecured note payable to a bank, interest payments due monthly at the bank's prime rate plus .50% with a floor of 5.0%. Final principal payment was made in August 2011.	-	150,000
Notes payable to a finance company for insurance payable in monthly installments ranging from \$16,200 to \$22,600, including annual interest at a rate ranging from 7.49% to 7.65%, with maturity occurring in June 2011.	<u>-</u>	<u>132,594</u>
Total notes payable	1,883,664	2,157,594
Less current portion	<u>(94,116)</u>	<u>(2,157,594)</u>
Notes payable, excluding current portion	<u>\$ 1,789,548</u>	<u>\$ -</u>

Annual principal maturities of notes payable are as follows:

Year ending December 31,

2012	\$ 94,116
2013	87,652
2014	<u>1,701,896</u>
	<u>\$ 1,883,664</u>

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements (Continued)
Years Ended December 31, 2011 and 2010

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The Ministry has entered into capital lease agreements to finance the acquisition of certain assets. A summary of the Ministry's obligations under these capital leases are as follows as of December 31:

	2011	2010
Minimum lease payments payable	\$ 27,502	\$ 55,204
Less portion representing interest	<u>597</u>	<u>2,210</u>
Capital lease obligations	26,905	52,994
Less current portion	<u>24,228</u>	<u>26,089</u>
Long-term portion	<u>\$ 2,677</u>	<u>\$ 26,905</u>

Future minimum lease payments payable under the capital leases are as follows:

Year ending December 31,

2012	\$ 24,811
2013	<u>2,691</u>
	<u>\$ 27,502</u>

Property and equipment utilized under capital leases as of December 31, 2011 and 2010 are as follows:

	2011	2010
Equipment	\$ 78,297	\$ 78,297
Less accumulated depreciation	<u>40,345</u>	<u>20,332</u>
	<u>\$ 37,952</u>	<u>\$ 57,965</u>
Depreciation expense	<u>\$ 20,013</u>	<u>\$ 18,514</u>

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements (Continued)
Years Ended December 31, 2011 and 2010

NOTE 8 - LEASE COMMITMENTS

The Ministry has entered into various operating leases for office equipment. A schedule of future minimum lease payments under these operating leases are as follows for the years ending December 31:

2012	\$ 63,938
2013	29,034
2014	<u>1,428</u>
	<u>\$ 94,400</u>

Additionally, the Ministry leases a residential facility in Lincoln, California under an operating lease with a rolling, one year renewal option for \$36,000 per year. While this lease payment is considered a below market rental rate, no in-kind donation has been recorded on the statements of activities and changes in net assets for this lease.

Rental expense was \$90,239 and \$89,885 for the years ended December 31, 2011 and 2010, respectively.

NOTE 9 - CONTINGENT LIABILITIES

In 2001, a not-for-profit entity contributed land with a value of approximately \$790,000 on which the St. Louis facility was constructed. The deed to this land contains certain restrictions which require the property to revert to the contributing not-for-profit entity if the following restrictions are not met:

- The Ministry shall remain a Christian-based residential facility for troubled girls and unwed mothers.
- The Founder of the Ministry shall be the President of Mercy Ministries International, Inc. ("MMI") and the Ministry shall continue to be affiliated with MMI.

NOTE 10 - RELATED PARTY TRANSACTIONS AND CONCENTRATIONS

MMI was created as a separate not-for-profit organization, maintaining a separate board of directors and organizational structure from the Ministry. MMI is not reported on a consolidated basis with the Ministry.

The Ministry maintains a close working relationship with MMI with which it shares equipment, office facilities, supplies and shares some common members on their boards of directors. Contributions made to MMI totaled \$399,509 and \$371,120 in 2011 and 2010, respectively. Additionally, administrative related fees charged to MMI amounted to \$87,821 and \$91,000 in 2011 and 2010, respectively.

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements (Continued)
Years Ended December 31, 2011 and 2010

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following at December 31:

	2011	2010
Transitional care	\$ 12,475	\$ -
Residents	1,012	-
Bibles	828	528
Equipment	390	-
Development of Houston home	20	20
Development of Charlotte home	-	3,045
Lincoln home – operating	-	500
Monroe home – operating	-	130
Video	-	120
Development of Destin home	-	50
	<u>\$ 14,725</u>	<u>\$ 4,393</u>

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions included the following for the year ended December 31:

	2011	2010
Lincoln home - operating	\$ 212,269	\$ 696,544
Christmas funds	104,452	80,442
Graduate mission trip	65,045	-
Equipment	50,390	2,000
Transitional care	28,369	-
St. Louis home – operating	28,275	316,316
Sex trafficking victims	16,907	-
Lincoln home – furnishings	15,050	81,665
Development of Charlotte home	12,304	55,741
Website	8,000	-
Monroe home – operating	6,932	14,776
Residents	6,046	-
Monroe home – renovations	6,000	125,897
Nashville home – operating	5,624	15,928
St. Louis – furnishings	1,648	-
Other	1,074	1,060
Barlow Girl tour	-	11,050
Research former residents	-	6,208
Monroe graduates	-	1,500
	<u>\$ 568,385</u>	<u>\$ 1,409,127</u>

MERCY MINISTRIES OF AMERICA, INC.
Notes to Financial Statements (Continued)
Years Ended December 31, 2011 and 2010

NOTE 13 - EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through February 29, 2012 which is the date the financial statements were available to be issued.

NOTE 14 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW STATEMENT INFORMATION

	2011	2010
Interest paid	<u>\$ 110,793</u>	<u>\$ 124,266</u>