MERCY MINISTRIES OF AMERICA, INC.

Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

MERCY MINISTRIES OF AMERICA, INC.

Table of Contents

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Mercy Ministries of America, Inc.:

We have audited the accompanying statements of financial position of Mercy Ministries of America, Inc. (the "Ministry") as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 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 misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
April 22, 2010

MERCY MINISTRIES OF AMERICA, INC.

Statements of Financial Position

December 31, 2009 and 2008

Assets

	2009	2008
Current assets:		
Cash	$ 247,743	$ 85,857
Restricted cash	395,957	110,772
Pledges and contributions receivable	188,869	371,633
Other receivables	9,724	18,396
Receivable from affiliate	133,351	-
Inventories	340,601	312,539
Prepaid expenses	111,993	206,788
Other current assets	55,881	-
Total current assets	1,484,119	1,105,985
Property and equipment, net:		
Land	1,055,280	1,055,280
Land - undeveloped	1,040,525	1,040,525
Buildings	6,252,600	6,139,886
Equipment and furniture	2,118,520	1,684,487
Vehicles	290,385	270,094
Website development	59,770	59,770
	10,817,080	10,250,042
Less accumulated depreciation and amortization	3,525,999	3,180,095
Property and equipment, net	7,291,081	7,069,947
Land - held for sale	2,003,323	2,003,323
	$ 10,778,523	$ 10,179,255

Liabilities and Net Assets

	2009	2008
Current liabilities:		
Line of credit	$ -	$ 153,172
Accounts payable	272,535	138,244
Accrued expenses	88,627	66,825
Current portion of notes payable	279,417	2,160,665
Current portion of capital lease obligations	10,596	-
Total current liabilities	651,175	2,518,906
Notes payable, excluding current portion	1,875,000	-
Long term portion of capital lease obligation	19,543	-
Total liabilities	2,545,718	2,518,906
Net assets:		
Unrestricted	7,914,380	7,609,333
Temporarily restricted	318,425	51,016
Total net assets	8,232,805	7,660,349
	$ 10,778,523	$ 10,179,255

See accompanying notes to the financial statements.

MERCY MINISTRIES OF AMERICA, INC.

Statements of Activities and Changes in Net Assets

Years ended December 31, 2009 and 2008

	2009		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Contributions	$ 6,306,714	$ 1,650,595	$ 7,957,309
Special events, no related expenses in 2009	440,406	13,875	454,281
Adoption application fees	4,150	-	4,150
Resource sales	126,782	-	126,782
In-kind donations	80,047	113,308	193,355
Interest income	315	2,105	2,420
Other income	6,615	-	6,615
Total revenues, gains and other support	6,965,029	1,779,883	8,744,912
Net assets released from restriction	1,512,474	(1,512,474)	-
Total revenues and other support	8,477,503	267,409	8,744,912
Functional Expenses:			
Counseling and support	6,705,500	-	6,705,500
Management and general	835,360	-	835,360
Fundraising	631,596	-	631,596
Total functional expenses	8,172,456	-	8,172,456
Change in net assets	305,047	267,409	572,456
Net assets at beginning of year	7,609,333	51,016	7,660,349
Net assets at end of year	$ 7,914,380	$ 318,425	$ 8,232,805

	2008		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Contributions	$ 6,244,302	$ 571,568	$ 6,815,870
Special events, net of expense of $580,813 in 2008	458,950	-	458,950
Adoption application fees	2,250	-	2,250
Resource sales	175,867	-	175,867
In-kind donations	60,583	-	60,583
Interest income	2,689	-	2,689
Other income	22,322	-	22,322
Total revenues, gains and other support	6,966,963	571,568	7,538,531
Net assets released from restriction	709,649	(709,649)	-
Total revenues and other support	7,676,612	(138,081)	7,538,531
Functional Expenses:			
Counseling and support	5,890,147	-	5,890,147
Management and general	1,027,449	-	1,027,449
Fundraising	495,924	-	495,924
Total functional expenses	7,413,520	-	7,413,520
Change in net assets	263,092	(138,081)	125,011
Net assets at beginning of year	7,346,241	189,097	7,535,338
Net assets at end of year	$ 7,609,333	$ 51,016	$ 7,660,349

See accompanying notes to the financial statements.

MERCY MINISTRIES OF AMERICA, INC.

Statements of Functional Expenses

Years ended December 31, 2009 and 2008

	2009			
	Program Services	Supporting Services		
	Counseling and Outreach	Management and General	Fundraising	Total
Salaries	$ 2,721,822	$ 416,676	$ 305,103	$ 3,443,601
Contract labor	7,727	25,647	-	33,374
Benefits	508,531	77,849	57,004	643,384
Total salaries and related expenses	3,238,080	520,172	362,107	4,120,359
Tithe	661,482	-	-	661,482
Contributions to Mercy Ministries International, Inc.	444,779	-	-	444,779
MCA fees to Mercy Ministries International, Inc.	315,336	-	-	315,336
Room and board	467,948	-	-	467,948
Travel, conferences, and meetings	95,513	4,820	4,820	105,153
Marketing and public relations	200,553	-	200,553	401,106
Professional Fees	69,523	68,294	-	137,817
Automobile	31,686	740	-	32,426
Books, tapes, and videos	72,231	-	-	72,231
Insurance	139,239	13,071	12,314	164,624
Office	32,431	3,045	2,868	38,344
Computer communication	197,619	18,552	17,477	233,648
Postage	32,058	4,066	12,198	48,322
Repairs and maintenance	104,529	2,086	-	106,615
Occupancy	38,705	4,301	-	43,006
Telephone	64,683	6,072	5,720	76,475
Utilities	120,230	11,287	10,633	142,150
Miscellaneous	38,695	52,550	616	91,861
Contribution processing charges	-	70,154	-	70,154
Interest	-	52,716	-	52,716
Total expenses before depreciation and amortization	6,365,320	831,926	629,306	7,826,552
Depreciation and amortization	340,180	3,434	2,290	345,904
Total functional expenses	$ 6,705,500	$ 835,360	$ 631,596	$ 8,172,456

	2008			
	Program Services	Supporting Services		
	Counseling and Outreach	Management and General	Fundraising	Total
Salaries	$ 2,404,918	$ 449,590	$ 235,455	$ 3,089,963
Contract labor	22,437	24,839	-	47,276
Benefits	443,194	78,930	40,501	562,625
Total salaries and related expenses	2,870,549	553,359	275,956	3,699,864
Tithe	627,908	-	-	627,908
Contributions to Mercy Ministries International, Inc.	219,340	-	-	219,340
MCA fees to Mercy Ministries International, Inc.	348,348	-	-	348,348
Room and board	461,397	-	-	461,397
Travel, conferences, and meetings	91,111	5,837	5,837	102,785
Marketing and public relations	131,517	-	131,517	263,034
Professional Fees	84,146	115,402	-	199,548
Automobile	48,261	927	-	49,188
Books, tapes, and videos	126,161	-	-	126,161
Insurance	141,775	47,258	-	189,033
Office	76,196	14,244	7,460	97,900
Computer communication	69,371	12,969	6,792	89,132
Postage	60,277	9,054	27,163	96,494
Repairs and maintenance	87,695	3,154	-	90,849
Occupancy	10,271	1,141	-	11,412
Telephone	48,760	13,931	6,966	69,657
Utilities	102,538	19,169	10,039	131,746
Miscellaneous	17,215	39,773	6,549	63,537
Contribution processing charges	-	67,516	-	67,516
Interest	-	72,041	-	72,041
Total expenses before depreciation and amortization	5,622,836	975,775	478,279	7,076,890
Depreciation and amortization	267,311	51,674	17,645	336,630
Total functional expenses	$ 5,890,147	$ 1,027,449	$ 495,924	$ 7,413,520

See accompanying notes to the financial statements.

MERCY MINISTRIES OF AMERICA, INC.

Statements of Cash Flows

Years ended December 31, 2009 and 2008

		2009		2008
Cash flows from operating activities:				
Increase in net assets	$	572,456	$	125,011
Adjustments to reconcile increase in net assets to cash flows provided by operating activities:				
Depreciation and amortization		345,904		336,630
In-kind donations of property and equipment		(13,374)		-
Provision for inventory obsolescence		-		25,968
(Increase) decrease in operating assets:				
Pledges and contributions receivable		182,764		(210,600)
Other receivables		8,672		(17,964)
Receivable from affiliate		(133,351)		-
Inventories		(28,062)		(157,814)
Prepaid expenses		94,795		8,313
Other assets		(55,881)		5,765
Increase (decrease) in operating liabilities:				
Accounts payable		134,291		(11,782)
Accrued expenses		21,802		34,516
Other current liabilities		-		(7,200)
Total adjustments		557,560		5,832
Net cash provided by operating activities		1,130,016		130,843
Cash flows from investing activities:				
Purchases of property and equipment		(520,938)		(187,317)
Proceeds from sale of investments		-		50,968
Net cash used by investing activities		(520,938)		(136,349)
Cash flows from financing activities:				
Change in line of credit, net		(153,172)		153,172
Proceeds from notes payable		2,244,690		171,331
Payments of notes payable		(2,250,938)		(312,560)
Payments of capital leases		(2,587)		-
Net cash provided (used) by financing activities		(162,007)		11,943
Increase in cash		447,071		6,437
Cash at beginning of year		196,629		190,192
Cash at end of year	$	643,700	$	196,629
Statement of financial position presentation:				
Cash	$	247,743	$	85,857
Restricted cash		395,957		110,772
Total cash at end of year	$	643,700	$	196,629

See accompanying notes to the financial statements.

(1) Nature of Activities

Mercy Ministries of America, Inc. (the "Ministry") is a non-profit organization 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.

The Ministry's fourth home was opened in October 2009 in the Sacramento, California area. The home served twenty young women initially with plans to increase to forty in 2010.

In addition to its residential program, the Ministry provides outreach to the community through speaking engagements and resources to educate and bring awareness about life-controlling issues and the opportunity to experience freedom. Resources include: the Ministry's website, books, teaching tapes, and training seminars for pastors, parents and the general public.

The Ministry has experienced a 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 non-profit organization during 2007, Mercy Ministries International, Inc. ("MMI"). MMI is custodian and owner of the Mercy Ministries program and brand, is responsible for sharing the program, and has overall responsibility to provide direction and perform quality assurance for Mercy Ministry programs on a global basis. MMI provides the Ministry spiritual support and technical assistance with the ongoing operation of existing homes and the startup and initial operation of new homes. The Ministry transferred all rights to its intellectual properties to MMI upon formation.

On March 27, 2008, the Ministry signed a Ministry Collaboration Agreement (MCA) with Mercy Ministries International, Inc., 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 Trustees for the Ministry may make donations to Mercy Ministries International, Inc. as the Ministry deems appropriate to support its efforts to spread the ministry throughout the world.

(2) Significant Accounting Policies

The financial statements of the Ministry are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Accounting Standards Codification

On June 29, 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("SFAS 168"). SFAS 168 is effective for periods ending after September 15, 2009 and makes the FASB *Accounting Standards Codification* ("ASC") the sole source of authoritative accounting technical literature for nongovernmental entities in the United States of America.

(b) Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Ministry and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Ministry and/or the passage of time.

Permanently restricted net assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Ministry.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted increases to net asset classes.

During 2009 and 2008, the Ministry had no permanently restricted assets.

(c) Pledges Receivable

Pledges receivable represent unconditional promises to give. The carrying amount of pledges receivable is reduced by a valuation allowance, if necessary, that represents the Ministry's best estimate of the amounts that will not be collected.

(d) Inventories

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

(e) Property and Equipment

Property and equipment are stated at cost. It is the Ministry's policy to capitalize property and equipment with a purchase price over $2,000. Donated property and equipment are recorded at their estimated fair market value at the date of the gift. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. Buildings are generally depreciated over 30 - 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 years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is included in operations.

(f) Income Taxes

The Ministry's activities are exempt from federal, state and local income taxes under Internal Revenue Code section 501(c)(3) and accordingly, no provision for income taxes is included in the financial statements.

The Ministry changed its method of accounting for uncertainty in income taxes as of January 1, 2009 as a result of adopting new principles required by generally accepted accounting principles. An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The change had no material effect on the Ministry’s financial statements.

As of December 31, 2009, the Ministry has accrued no interest and no penalties related to uncertain tax positions. It is the Ministry’s policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Ministry files a U.S. Federal information tax return and is currently open to audit by the Internal Revenue Service for years ended after December 31, 2005.

(g) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Revenue Recognition

Contributions received are recorded as unrestricted temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily restricted, or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Donated materials, property, or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the financial statements for donated services of volunteers since no objective basis is available to measure the value of such services. However, a number of volunteers have donated their time to the Ministry.

(i) 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.

(j) 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 to promote 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, general and management, and fundraising expenses.

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

(k) Reclassifications

Certain reclassifications have been made to the 2008 financial statements in order for them to conform to the 2009 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(l) Events occurring after reporting date

The Ministry has evaluated events and transactions that occurred between December 31, 2009 and April 22, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Credit risk and other concentrations

The Ministry generally maintains cash on deposit at banks in excess of federally insured amounts. The Ministry has not experienced any losses in such accounts and management believes the Ministry is not exposed to any significant risk related to cash on deposit.

(4) Assets and liabilities measured at fair value

During 2009 and 2008, the Ministry adopted components of the accounting standards for fair value, which define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements for non-financial assets and liabilities. These standards apply to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant 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).

(a) Financial Instruments

The carrying amount of financial instruments, consisting of cash, pledge 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.

(b) Non-Financial Assets

The Ministry's non-financial assets, which include inventories and property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Ministry is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. The Ministry purchased approximately 11.75 acres of undeveloped land in Florida during 2007. Two-thirds of the land is held for sale while the remainder is to be used for a future home for girls. The land is recorded at its purchase price. The undeveloped land was appraised in 2009 in conjunction with a new loan agreement. Although the appraised value of the land is less than the carrying value, management of the Ministry believes that the appraised value decline is temporary in nature and therefore, has not reduced its carrying value. Accordingly, the Ministry did not recognize any amounts in earnings related to changes in fair value for non-financial assets for the year ended December 31, 2009.

(5) Property and equipment

A summary of property and equipment, net of accumulated depreciation and amortization, by location as of December 31, 2009 and 2008 is as follows:

	2009	2008
Monroe, Louisiana home	$ 174,425	$ 185,472
Nashville, Tennessee home	1,187,678	1,245,371
St. Louis, Missouri home	2,614,885	2,724,536
Destin, Florida (undeveloped land)	1,040,525	1,040,525
Nashville, Tennessee corporate offices	1,718,998	1,833,480
Lincoln, California home	554,570	40,563
	$ 7,291,081	$ 7,069,947

(6) Line of credit

The Ministry has a $250,000 line of credit available with a bank as of December 31, 2009. The line of credit is unsecured and matures November 2, 2010. There were no outstanding borrowings on the line of credit as of December 31, 2009.

The Ministry had a $250,000 line of credit available with a bank as of December 31, 2008 with an outstanding balance of $153,172. This line of credit matured on August 15, 2009 and was replaced with the line of credit described above.

(7) Notes payable

A summary of notes payable as of December 31, 2009 and 2008 is as follows:

	2009	2008
Note payable to a finance company for insurance, payable in monthly installments of $16,195 including interest at a rate of 7.65%, maturing June 2010.	$ 79,417	$ -
Note payable to a bank; interest payments due monthly at the bank's prime rate plus .50% with a floor of 5.0% (5.0% as of December 31, 2009). All principal due November 2, 2011. Secured by the undeveloped Florida land.	1,875,000	-
Unsecured note payable to a bank; interest payments due monthly at the bank's prime rate plus .50% with a floor of 5.0% (5.0% as of December 31, 2009). All principal due November 2, 2010.	200,000	-
Notes repaid during 2009	-	2,160,665
Total notes and loans payable	2,154,417	2,160,665
Less current portion	(279,417)	(2,160,665)
Notes payable, excluding current portion	$ 1,875,000	$ -

(8) Capital lease obligations

The Ministry has entered into capital lease agreements to finance the acquisition of certain assets. The Ministry's obligation under these capital leases is as follows:

	2009	2008
Minimum lease payments payable	$ 31,784	$ -
Less: portion representing interest	1,645	-
Capital lease obligations	30,139	-
Less: current portion	10,596	-
Long-term portion	$ 19,543	$ -

Future minimum annual lease payments payable under the capital leases as of December 31, 2009 are as follows:

Year		Amount
2010	$	11,558
2011		11,558
2012		8,668
	$	31,784

Property and equipment utilized under capital leases as of December 31, 2009 and 2008 is as follows:

		2009		2008
Equipment	$	32,726	$	-
Less: accumulated amortization		1,818		-
	$	30,908	$	-
Amortization expense	$	1,818	$	-

(9) Lease commitments

The Ministry leases office equipment and a building in Lincoln, California under operating leases. Rent expense under these leases amounted to $27,256 and $11,412 in 2009 and 2008, respectively. A summary of approximate future minimum payments under these leases as of December 31, 2009 is as follows:

Year		Amount
2010	$	63,000
2011		39,000
2012		33,000
2013		22,000
	$	157,000

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the commitments for 2010.

(10) Contingent liabilities

In 2001, a non-profit entity contributed land with a value of approximately $790,000 on which the St. Louis home for troubled girls and unwed mothers was built. The deed to this land contains certain restrictions which require the property to revert to the contributing non-profit entity if the following restrictions are not met:

(1) The Ministry shall remain a Christian-based residential facility for troubled girls and unwed mothers.

(2) The Founder of the Ministry shall be the President of Mercy Ministry International, Inc. ("MMI") and the Ministry shall continue to be affiliated with MMI.

(11) Related party transactions

Members of the Board of Trustees regularly contribute to the Ministry. Contributions received from related parties amounted to $339,582 and $579,730 in 2009 and 2008, respectively.

MMI was created as a separate not-for-profit organization in 2007, 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 made contributions to MMI amounting to approximately $445,000 and $219,000 in 2009 and 2008, respectively. Of this, cash contributions amounted to approximately $368,000 and $191,000 and administrative services charged to MMI amounted to $77,000 and $28,000 in 2009 and 2008, respectively. Ministry collaboration agreement fees of approximately $315,000 and $348,000 were also paid to MMI for 2009 and 2008, respectively.

(12) Supplemental disclosures of cash flow statement information

	2009	2008
Interest paid, net of capitalized interest of $31,082 in 2008. No interest was capitalized in 2009.	$ 60,018	$ 72,041

During 2009, the Ministry incurred capital lease obligations of $32,726 for acquisitions of equipment.

During 2009, the Ministry received noncash contributions of equity securities valued at approximately $160,000. No such contributions were received in 2008.

During 2009 and 2008, the Ministry received and distributed donated materials, equipment and vehicles valued at approximately $176,500 and $61,000, respectively.

During 2009, the Ministry capitalized donated equipment valued at approximately $13,400. No such in-kind contributions were capitalized during 2008.

(13) Temporarily restricted net assets

A summary of temporarily restricted net assets as of December 31, 2009 and 2008 is as follows:

	2009	2008
Development of Houston, Texas home	$ 230	$ 4,106
Development of Lincoln, California home	-	33,332
Lincoln, California home - operating	251,493	-
Monroe graduates	1,500	1,500
Development of Charlotte, North Carolina home	45,624	10,444
Barlow Girl tour	11,050	-
Turner classroom	-	1,068
Bibles	528	566
Christmas presents	6,000	-
Computer equipment	2,000	-
Total temporarily restricted net assets	$ 318,425	$ 51,016

(14) Net assets released from restrictions

A summary of net assets released from donor restrictions during the year ended December 31, 2009 and 2008 is as follows:

	2009	2008
Purpose restrictions accomplished		
Christmas funds	$ 69,404	$ 36,501
Development of Houston, Texas home	4,106	2,000
Development of Lincoln, California home	654,660	133,650
Lincoln, California home - operating	369,753	-
Fundraising	12,000	-
Development of Charlotte, North Carolina home	12,418	825
Barlow Girl tour	11,950	-
Transitional Care	3,500	7,061
Bibles	239	133
Development of Destin, Florida home	2,853	158,443
Monroe, Louisiana building project	-	130
Research of former residents	-	6,500
Adoptions	-	1,425
St. Louis, Missouri home	306,065	316,836
Monroe, Louisiana home	49,765	12,505
Nashville, Tennessee home	13,193	33,640
Video	1,500	-
Turner classroom	1,068	-
Total restrictions released	$ 1,512,474	$ 709,649