

**JUSTICE AND MERCY**  
**INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2023 AND 2022**

**JUSTICE AND MERCY INTERNATIONAL, INC.**

**Table of Contents**

**June 30, 2023 and 2022**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	5
Statements of Cash Flows	7
Statements of Functional Expenses	8
Notes to the Financial Statements	10



## **Independent Auditor's Report**

The Board of Directors  
Justice and Mercy International, Inc.  
Nashville, Tennessee

### **Opinion**

We have audited the accompanying financial statements of Justice and Mercy International, Inc. (the Organization), a non-profit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

*(Auditor's report continued on next page)*

---

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

A handwritten signature in blue ink that reads "Puryear & Noonan, CPAs PLLC". The signature is written in a cursive, flowing style.

Puryear & Noonan, CPAs  
Nashville, Tennessee  
October 4, 2023

**Justice and Mercy International, Inc.**  
**Statements of Financial Position**  
**June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash	\$ 1,760,198	\$ 568,558	\$ 2,328,756
Prepaid expenses and other current assets	134,130	-	134,130
Inventory	<u>24,002</u>	<u>-</u>	<u>24,002</u>
<b>Total Current Assets</b>	1,918,330	568,558	2,486,888
Property and equipment, net	<u>686,956</u>	<u>-</u>	<u>686,956</u>
<b>Total Assets</b>	<u>\$ 2,605,286</u>	<u>\$ 568,558</u>	<u>\$ 3,173,844</u>
<b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 47,437	\$ -	\$ 47,437
Accrued expenses and liabilities	16,173	-	16,173
Deferred revenue	<u>70,473</u>	<u>-</u>	<u>70,473</u>
<b>Total Current Liabilities</b>	<u>134,083</u>	<u>-</u>	<u>134,083</u>
<b>Net Assets</b>			
Without donor restrictions	1,644,462	-	1,644,462
Without donor restrictions - Board designated	826,741	-	826,741
With donor restrictions	<u>-</u>	<u>568,558</u>	<u>568,558</u>
<b>Total Net Assets</b>	<u>2,471,203</u>	<u>568,558</u>	<u>3,039,761</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,605,286</u>	<u>\$ 568,558</u>	<u>\$ 3,173,844</u>

**Justice and Mercy International, Inc.**  
**Statements of Financial Position (Continued)**  
**June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash	\$ 1,555,593	\$ 517,910	\$ 2,073,503
Prepaid expenses and other current assets	119,278	-	119,278
Inventory	<u>23,674</u>	<u>-</u>	<u>23,674</u>
<b>Total Current Assets</b>	1,698,545	517,910	2,216,455
Property and equipment, net	<u>738,564</u>	<u>-</u>	<u>738,564</u>
<b>Total Assets</b>	\$ <u>2,437,109</u>	\$ <u>517,910</u>	\$ <u>2,955,019</u>
<b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 64,580	\$ -	\$ 64,580
Accrued expenses and liabilities	12,496	-	12,496
Deferred revenue	<u>88,208</u>	<u>-</u>	<u>88,208</u>
<b>Total Current Liabilities</b>	<u>165,284</u>	<u>-</u>	<u>165,284</u>
<b>Net Assets</b>			
Without donor restrictions	1,268,895	-	1,268,895
Without donor restrictions - Board designated	1,002,930	-	1,002,930
With donor restrictions	<u>-</u>	<u>517,910</u>	<u>517,910</u>
<b>Total Net Assets</b>	<u>2,271,825</u>	<u>517,910</u>	<u>2,789,735</u>
<b>Total Liabilities and Net Assets</b>	\$ <u>2,437,109</u>	\$ <u>517,910</u>	\$ <u>2,955,019</u>

See independent auditor's report and accompanying notes to financial statements.

**Justice and Mercy International, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2023**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>Revenue and Support</b>			
Contributions	\$ 2,666,416	\$ 274,358	\$ 2,940,774
Contribution of nonfinancial assets	43,000	-	43,000
Special event income	551,077	-	551,077
Merchandise sales, net	(5,333)	-	(5,333)
Interest income	22,649	-	22,649
Net assets released from restrictions	<u>223,710</u>	<u>(223,710)</u>	<u>-</u>
<b>Total Revenue and Support</b>	<u>3,501,519</u>	<u>50,648</u>	<u>3,552,167</u>
<b>Expenses</b>			
<b>Program Services</b>			
Program	2,653,828	-	2,653,828
<b>Supporting Services</b>			
Management and general	262,987	-	262,987
Fundraising	<u>385,326</u>	<u>-</u>	<u>385,326</u>
<b>Total Expenses</b>	<u>3,302,141</u>	<u>-</u>	<u>3,302,141</u>
<b>Increase (Decrease) in Net Assets</b>	199,378	50,648	250,026
<b>Net Assets - Beginning of Year</b>	<u>2,271,825</u>	<u>517,910</u>	<u>2,789,735</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,471,203</u>	<u>\$ 568,558</u>	<u>\$ 3,039,761</u>

See independent auditor's report and accompanying notes to financial statements.

**Justice and Mercy International, Inc.**  
**Statements of Activities and Changes in Net Assets (Continued)**  
**For the Year Ended June 30, 2022**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>Revenue and Support</b>			
Contributions	\$ 2,407,562	\$ 541,920	\$ 2,949,482
Contribution of nonfinancial assets	43,000	-	43,000
Special event income	567,637	-	567,637
Merchandise sales, net	1,153	-	1,153
Interest income	669	-	669
Net assets released from restrictions	<u>259,140</u>	<u>(259,140)</u>	<u>-</u>
<b>Total Revenue and Support</b>	<u>3,279,161</u>	<u>282,780</u>	<u>3,561,941</u>
<b>Expenses</b>			
<b>Program Services</b>			
Program	2,125,925	-	2,125,925
<b>Supporting Services</b>			
Management and general	224,530	-	224,530
Fundraising	<u>305,094</u>	<u>-</u>	<u>305,094</u>
<b>Total Expenses</b>	<u>2,655,549</u>	<u>-</u>	<u>2,655,549</u>
<b>Increase (Decrease) in Net Assets</b>	623,612	282,780	906,392
<b>Net Assets - Beginning of Year</b>	<u>1,648,213</u>	<u>235,130</u>	<u>1,883,343</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,271,825</u>	<u>\$ 517,910</u>	<u>\$ 2,789,735</u>

See independent auditor's report and accompanying notes to financial statements.



**Justice and Mercy International, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2023 and 2022**

	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Cash Flows from Operating Activities</b>		
<b>Increase (Decrease) in Net Assets</b>	\$ 250,026	\$ 906,392
<b>Adjustments to Reconcile Change in Net Assets to Net Cash</b>		
<b>Provided by (Used for) Operating Activities</b>		
Depreciation and amortization	51,607	43,065
<b>(Increase) Decrease in Operating Assets</b>		
Prepaid expenses and other current assets	(14,851)	(114,088)
Inventory	(328)	9,972
<b>Increase (Decrease) in Operating Liabilities</b>		
Accounts payable	(17,143)	52,451
Accrued expenses and liabilities	3,677	1,945
Deferred revenue	<u>(17,735)</u>	<u>36,908</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>255,253</u>	<u>936,645</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	<u>-</u>	<u>(38,108)</u>
<b>Net Cash Used for Investing Activities</b>	<u>-</u>	<u>(38,108)</u>
<b>Increase in Cash and Cash Equivalents</b>	255,253	898,537
<b>Cash - Beginning of Year</b>	<u>2,073,503</u>	<u>1,174,966</u>
<b>Cash - End of Year</b>	\$ <u><u>2,328,756</u></u>	\$ <u><u>2,073,503</u></u>

See independent auditor's report and accompanying notes to financial statements.

**Justice and Mercy International, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2023**

	Program Services					Supporting Services		
	<u>Amazon</u>	<u>Moldova</u>	<u>Europe</u>	<u>Mission Trips</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 198,892	\$ 221,552	\$ -	\$ 145,308	\$ 565,752	\$ 175,531	\$ 236,462	\$ 977,745
Travel expense	-	-	-	-	-	-	10,022	10,022
Assistance	335,987	1,101,226	13,709	493,623	1,944,545	-	-	1,944,545
Office expense	27,429	30,918	-	20,555	78,902	25,079	36,128	140,109
Professional fees	8,045	9,068	-	6,029	23,142	7,356	9,573	40,071
Special events	-	-	-	-	-	-	63,265	63,265
Fees and charges	-	-	-	-	-	50,624	-	50,624
Depreciation expense	4,809	33,074	-	3,604	41,487	4,397	5,723	51,607
Marketing and development	-	-	-	-	-	-	24,153	24,153
Total expenses	<u>\$ 575,162</u>	<u>\$ 1,395,838</u>	<u>\$ 13,709</u>	<u>\$ 669,119</u>	<u>\$ 2,653,828</u>	<u>\$ 262,987</u>	<u>\$ 385,326</u>	<u>\$ 3,302,141</u>
Percent of Total Expenses	<u>18%</u>	<u>42%</u>	<u>0%</u>	<u>20%</u>		<u>8%</u>	<u>12%</u>	

See independent auditor's report and accompanying notes to financial statements.

**Justice and Mercy International, Inc.**  
**Statements of Functional Expenses (Continued)**  
**For the Year Ended June 30, 2022**

	<u>Program Services</u>				<u>Supporting Services</u>		
	<u>Amazon</u>	<u>Moldova</u>	<u>Mission Trips</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 161,495	\$ 195,622	\$ 122,125	\$ 479,242	\$ 136,582	\$ 194,729	\$ 810,553
Assistance	277,361	990,012	267,695	1,535,068	-	-	1,535,068
Office expense	21,235	26,032	16,405	63,672	28,784	28,261	120,717
Professional fees	3,729	4,572	2,881	11,182	12,487	4,500	28,169
Special events	-	-	-	-	-	55,543	55,543
Fees and charges	-	-	-	-	44,038	-	44,038
Depreciation expense	3,038	31,376	2,347	36,761	2,639	3,665	43,065
Marketing and development	-	-	-	-	-	18,396	18,396
Total expenses	<u>\$ 466,858</u>	<u>\$ 1,247,614</u>	<u>\$ 411,453</u>	<u>\$ 2,125,925</u>	<u>\$ 224,530</u>	<u>\$ 305,094</u>	<u>\$ 2,655,549</u>
Percent of Total Expenses	<u>18%</u>	<u>47%</u>	<u>15%</u>		<u>8%</u>	<u>12%</u>	

See independent auditor's report and accompanying notes to financial statements.

---

**Justice and Mercy International, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

---

**Note 1 - Summary of Significant Accounting Policies**

***Organization and Purpose***

Justice and Mercy International, Inc. (the Organization) is a Tennessee non-profit organization that was formed and incorporated in 2008 to mobilize the Church to reach the poor, the orphaned, and the forgotten people in the world.

The Organization is involved in ministries in Moldova, Brazil, and Europe. Regardless of the country being served, the Organization's plan is to offer hope and help to the most vulnerable. Through volunteer based mission trips, children are helped through friendship and advocacy. Through sponsorship programs, the Organization invests in the long-term well-being of a child by providing essential programs and services to rescue them from harm's way. Through building schools and hosting conferences, indigenous leaders are trained and equipped to help their own communities. When a crisis arises due to global pandemic, war or natural disasters, the Organization assists vulnerable communities with food and other necessities. Through every action performed, the Organization intends to demonstrate the love of Jesus.

***Basis of Accounting***

The accompanying financial statements of the Organization are prepared using the accrual basis of accounting, under which revenues are recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

***Cash and Cash Equivalents***

For purposes of the Statements of Cash Flows, cash and cash equivalents include liquid assets with minimal interest rate risk and original maturities of three months or less when purchased. Such assets primarily consist of depository account balances and money market funds. The Organization held no cash equivalents at June 30, 2023 and 2022.

***Financial Statement Presentation***

The accompanying financial statements of the Organization report its financial information according to the following net asset classifications:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed restrictions and may be extended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors (the Board). The Board has designated \$826,741 and \$1,002,930 to be used towards mission trips, Amazon emergency food, Amazon pastors, Moldova/Ukraine crisis, Moldova TL Cahul capital campaign fund as of June 30, 2023 and 2022, respectively.

**Net Assets With Donor Restrictions** - Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by actions of the Organization pursuant to those restrictions or that

expire by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Changes in Net Assets. At June 30, 2023 and 2022, net assets with donor restrictions amounted to \$568,558 and \$517,910, respectively.

***Measure of Operations***

The Statements of Activities and Changes in Net Assets report changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from donor-restricted contributions, net assets released for capital expenditure, and other activities considered to be of a more unusual or non-recurring nature. There were no non-operating activities for the years ended June 30, 2023 and 2022.

***Program and Supporting Services - Functional Expenses***

The following program and supporting services are included in the accompanying financial statements on the Statements of Functional Expenses.

**Program Services** - include activities carried out to fulfill the Organization's mission, resulting in services such as job-training, in country support and other programs conducted by the Organization.

**Supporting Services - Management and General** - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organizational oversight, business management, record keeping, budgeting, financing, and other administrative activities.

**Supporting Services - Fundraising** - includes cost of activities directed toward appeals for financial support and the cost of solicitations and creation and distribution of fundraising materials.

***Classification of Expenses***

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses, applicable to more than one function, are allocated on the basis of objectively summarized information or management estimates.

***Use of Estimates***

Management and the Organization have made a number of estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from these estimates.

***Fair Value Measurements***

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP established a fair value hierarchy that prioritized investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

**Level 1** – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

**Level 2** – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

**Level 3** – Unobservable inputs that cannot be corroborated by observable market data.

U.S. GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, inventory, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

***Inventory***

Inventory consist of books, jewelry and apparel purchased for resale and are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out (FIFO) method. Net realizable value is based on the selling price.

***Property and Equipment***

Property and equipment are stated at cost or, if donated, at their estimated market value at the date of gift, less accumulated depreciation. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Property, leasehold improvements, furniture and equipment are depreciated over five to forty years. Leasehold improvements are amortized over the shorter of their estimated lives or the respective lease term.

Expenditures for maintenance and repairs and items less than \$2,500 are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in other income on the Statements of Activities and Changes in Net Assets. Depreciation and amortization expense was \$51,607 and \$43,065 for the years ended June 30, 2023 or 2022, respectively.

***Right-of-Use Assets and Liabilities***

Right-of-use (ROU) assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and liabilities are recognized at commencement date based on the present value of future lease payments over the lease term, which includes only payments that are fixed and determinable at the time of commencement. When readily determinable, the Organization uses the interest rate implicit in a lease to determine the present value of future lease payments. For leases where the implicit rate is not readily determinable, the Organization's incremental borrowing rate is used. The Organization calculates its incremental borrowing rate on a periodic basis using a third-party financial model that estimates the rate of interest the Organization would have to pay to borrow an amount equal to the total lease payments on a collateralized basis over a term similar to the lease. The Organization applies its incremental borrowing rate using a portfolio approach. The ROU assets also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise such options.

***Revenue Recognition***

**Contributions**

The Organization receives contributions from businesses, individuals, churches, and foundations. Contributors donate directly to the Organization to support the operations, expansion, and the charitable causes that the Organization sponsors. The Organization records the contributions when received either as contributions with or without donor restrictions based upon the presence or absence of donor-imposed restrictions. Contribution revenue is recognized when received or pledged. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions. Revenue from special events is recognized when it is earned, generally when the event occurs.

**Contributions of NonFinancial Assets**

The Organization recognizes contributed nonfinancial assets within revenues in the Statements of Activities and Changes in Net Assets consisting of donated office space rent. Unless otherwise noted, contributed nonfinancial assets do not have any donor-imposed restrictions. The Organization records contributed nonfinancial assets at fair value when determinable, otherwise at value indicated by the donor, if material.

The Organization estimated the value of the contributed office space rent to be \$43,000 for the years ended on June 30, 2023 or 2022, and included as both revenues and expenses in contribution of nonfinancial assets on the Statements of Activities and Changes in Net Assets and in office expense on the Statements of Functional Expenses.

***Deferred Revenue***

Deferred revenue consists of mission trip contributions. Revenue is recognized as the expenses are incurred and the related services are performed.

***Income Taxes***

The Organization is exempt from income taxes under the provisions of Internal Revenue Code Section (IRC) 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

The Organization follows FASB 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50% that the full amount of the tax position taken will be ultimately realized. Therefore, management believes that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns for the three most recent years filed, or expected to be taken in the Organization's current year tax return. The Organization identifies its major tax jurisdictions as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by either of these jurisdictions. As of June 30, 2023 and 2022, the Organization has accrued no interest and no penalties related to uncertain tax positions.

***Advertising and Promotion Costs***

Advertising and promotion costs are expensed as incurred and \$26,594 and \$20,456 were expensed during 2023 and 2022, respectively.

***Events Occurring After Reporting Date***

The Organization has evaluated events and transactions that occurred between July 1, 2023 and October 4, 2023 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**Note 2 - Adoption of New Accounting Pronouncement**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02), which requires lessees to recognize leases on the Statements of Financial Position and disclose key information about leasing arrangements. ASU 2016-02 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU 2018-11, *Targeted Improvements*. ASU 2016-02 establishes a ROU model that requires a lessee to recognize a ROU asset and lease liability on the Statements of Financial Position for all leases with a term longer than 12 months. Leases are also classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the Statements of Activities and Changes in Net Assets. The Organization adopted the new standard effective July 1, 2022 using the optional alternative method of adoption. This method allows the Organization to apply the new requirements to only those leases that exist as of July 1, 2022. There was no effect on the Statements of Activities and Changes in Net Assets as a result of this adoption.

Using the adoption of the new lease standard, the Organization has elected to apply the following package of practical expedients:

- Contracts need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases.
- Initial direct costs need not be reassessed.



**Justice and Mercy International, Inc.**  
**Notes to Financial Statements (Continued)**

The Organization has also elected the following practical expedients: (1) not to separate lease components from non-lease components, (2) as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less, (3) the use of hindsight in determining the lease term and in assessing impairment of ROU assets, and (4) to apply the option not to assess whether existing or expired land easements that were not previously evaluated are or contain a lease.

At June 30, 2023 or 2022, the Organization had no significant ROU assets and liabilities.

**Note 3 - Availability and Liquidity**

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statements of Financial Position date, are as follows:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Cash	\$ <u>2,328,756</u>	\$ <u>2,073,503</u>
Total financial assets	2,328,756	2,073,503
Less - Net assets with donor restrictions	(568,558)	(517,910)
Less - Board designations	<u>(826,741)</u>	<u>(1,002,930)</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u><u>933,457</u></u>	\$ <u><u>552,663</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The designation by the Board may be drawn upon in the event of financial distress.

**Note 4 - Net Assets With Donor Restrictions**

Net assets of \$223,710 and \$259,140 were released from donor restrictions by incurring expenses satisfying the restrictions specified by the donor in 2023 and 2022, respectively. Donor restrictions were as follows as of June 30, 2023 and 2022:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Amazon Build a School	\$ 34,631	\$ 24,334
Amazon Terra Da Paz	16,214	-
Amazon Multipliers	23,147	-
Amazon Pastors Transportation	8,615	8,824
Amazon Indigenous Pastor Trips	55,522	33,488
Amazon Priority Needs	30,627	17,746
Amazon Office - Headquarters Capital Campaign	3,000	-
Mike Minter Heart for Amazon Fund	64,546	32,567
Mission Trip Scholarship Fund	50,973	52,573
Moldova/Ukraine Crisis	-	135,545
Moldova Orphan/Vulnerable Child	15,400	15,400
Moldova Priority Needs	14,422	5,848
Moldova Food Bags	701	-
Moldova Youth Development Program	11,549	-
Jennifer Sevier Moldova Fund	4,283	4,283
Steve Davis Heart for Moldova Fund	<u>234,928</u>	<u>187,302</u>
Total net assets with donor restrictions	\$ <u><u>568,558</u></u>	\$ <u><u>517,910</u></u>

**Note 5 - Board Designated Net Assets**

The Board of Directors has designated that certain types of support received not be used for current operating purposes. Such designation may be terminated at the discretion of The Board of Directors and does not represent donor restrictions. A summary of designations at June 30, 2023 and 2022 is as follows:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Mission Trip Scholarship	\$ 19,302	\$ 19,302
Amazon Speedboat	2,964	7,000
Amazon Build a School	4,067	4,067
Amazon Emergency Food/Medical	14,974	14,974
Amazon Priority Needs	62,724	62,724
Amazon Pastors	174,397	174,397
Moldova/Ukraine Crisis	67,790	143,943
Moldova Priority Needs	57,741	31,741
Moldova RHCC Projects	132,000	-
Moldova TL Cahul (RHCC)	<u>290,782</u>	<u>544,782</u>
Total board designated	\$ <u><u>826,741</u></u>	\$ <u><u>1,002,930</u></u>

**Note 6 - Employee Retirement Plan**

The Organization has adopted a simple 403(b) retirement plan that allows full-time employees to participate. For participating employees, the Organization made an employer contribution which totaled \$32,228 and \$26,965 for the years ending June 30, 2023 and 2022, respectively.

**Note 7 - Credit Risk and Other Concentrations**

The Organization generally maintains its checking and savings accounts at financial institutions whose balances are insured by the Federal Deposit Insurance Corporation (FDIC) up statutory limits. The standard FDIC insurance amount is limited up to \$250,000 per depositor, per insured bank. Therefore, amounts in excess of this \$250,000 held by the Organization as of, and during the years ended June 30, 2023 and 2022 were uninsured and uncollateralized.

**Note 8 - Related Party Transactions**

The Organization is affiliated with Rolling Hills Community Church (RHCC) in Franklin, Tennessee. RHCC provides free office space to the Organization and also donates a portion of its weekly offering to the Organization. During the years ended June 30, 2023 and 2022, RHCC donated \$269,037 and \$280,469, respectively, to the Organization.

The Organization supports related ministries in foreign countries. Two of the ministries are located in Moldova and Brazil and are marketed and presented as being partners with the Organization. The Moldovan organization, Hope and Charity, received approximately \$1,101,000 and \$990,000 in support and the Brazilian organization, Justice and Mercy Amazon, received approximately \$335,000 and \$277,000 during the years ended June 30, 2023 and 2022, respectively.

**Note 9 - Accounting Standard Not Yet Adopted**

From time-to-time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Organization adopts as of the specified effective date. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the financial statements upon adoption.