

JUSTICE AND MERCY INTERNATIONAL, INC.

Financial Statements
For the Year Ended June 30, 2020 and
the Nine Months Ended June 30, 2019

Justice and Mercy International, Inc.

Financial Statements

For the Year Ended June 30, 2020 and
the Nine Months Ended June 30, 2019

Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9 - 14



Independent Auditor's Report

Board of Directors
Justice and Mercy International, Inc.

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matter

The financial statements of the Organization, as of and for the nine months ended June 30, 2019, were audited by other auditors, whose report, dated September 18, 2019, expressed an unmodified opinion on those statements.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC".

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 13, 2020

Justice and Mercy International, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 876,905	\$ 488,358
Accounts receivable	-	10,654
Prepaid expenses	10,437	115,799
Inventory	31,195	31,778
Property and equipment, net	407,659	435,312
Total assets	\$ 1,326,196	\$ 1,081,901
Liabilities		
Accounts payable	\$ 2,298	\$ 40,768
Accrued expenses	9,755	11,179
Deferred revenue	72,294	109,802
PPP Loan	105,495	-
Total liabilities	189,842	161,749
Net Assets		
Without donor restrictions	969,864	844,893
With donor restrictions	166,490	75,259
Total net assets	1,136,354	920,152
Total liabilities and net assets	\$ 1,326,196	\$ 1,081,901

Justice and Mercy International, Inc.

Statement of Activities

For the Year Ending June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 1,649,081	\$ 444,345	\$ 2,093,426
Special event income, net	263,362	-	263,362
Merchandise sales, net	15,941	-	15,941
Interest income	1,363	-	1,363
Net assets released from restrictions	353,114	(353,114)	-
Total revenues and other support	<u>2,282,861</u>	<u>91,231</u>	<u>2,374,092</u>
Expenses			
Program services	1,741,283	-	1,741,283
Management and general	200,792	-	200,792
Fundraising	215,815	-	215,815
Total expenses	<u>2,157,890</u>	<u>-</u>	<u>2,157,890</u>
Change in net assets	124,971	91,231	216,202
Net assets, beginning of year	844,893	75,259	920,152
Net assets, end of year	<u>\$ 969,864</u>	<u>\$ 166,490</u>	<u>\$ 1,136,354</u>

Justice and Mercy International, Inc.
Statement of Activities
For the Nine Months Ending June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 1,345,330	\$ 121,535	\$ 1,466,865
Merchandise sales, net	7,396	-	7,396
Interest income	423	-	423
Net assets released from restrictions	98,513	(98,513)	-
Total revenues and other support	<u>1,451,662</u>	<u>23,022</u>	<u>1,474,684</u>
Expenses			
Program services	1,215,457	-	1,215,457
Management and general	128,423	-	128,423
Fundraising	111,031	-	111,031
Total expenses	<u>1,454,911</u>	<u>-</u>	<u>1,454,911</u>
Change in net assets	(3,249)	23,022	19,773
Net assets, beginning of period	848,142	52,237	900,379
Net assets, end of period	<u>\$ 844,893</u>	<u>\$ 75,259</u>	<u>\$ 920,152</u>

Justice and Mercy International, Inc.

Statement of Functional Expenses
For the Year Ending June 30, 2020

	Program Services			Total Program Services	Supporting Services			Total
	Amazon	Moldova	Mission Trips		Management and General	Fundraising		
Compensation and benefits	\$ 134,140	\$ 179,199	\$ 87,457	\$ 400,796	\$ 116,838	\$ 154,950	\$ 672,584	
Travel expenses	-	-	206,207	206,207	274	16,440	222,921	
Assistance	611,568	481,417	-	1,092,985	-	-	1,092,985	
Office expenses	-	407	-	407	32,150	1,756	34,313	
Professional fees	2,328	10,907	-	13,235	28,137	-	41,372	
Special events	-	-	-	-	-	28,443	28,443	
Fees and Charges	-	-	-	-	23,393	-	23,393	
Depreciation	-	27,653	-	27,653	-	-	27,653	
Marketing and development	-	-	-	-	-	14,226	14,226	
	\$ 748,036	\$ 699,583	\$ 293,664	\$ 1,741,283	\$ 200,792	\$ 215,815	\$ 2,157,890	

Justice and Mercy International, Inc.
Statement of Functional Expenses
For the Nine Months Ending June 30, 2019

	Program Services				Total Program Services	Supporting Services		Total
	Amazon	Moldova	South Africa	Mission Trips		Management and General	Fundraising	
Compensation and benefits	\$ 74,954	\$ 108,595	\$ -	\$ 62,518	\$ 246,067	\$ 73,028	\$ 75,467	\$ 394,562
Travel expenses	-	-	-	282,887	282,887	4,624	7,260	294,771
Assistance	269,690	388,929	5,300	-	663,919	-	-	663,919
Office expenses	-	687	1,158	-	1,845	26,276	243	28,364
Professional fees	-	-	-	-	-	7,592	-	7,592
Fees and Charges	-	-	-	-	-	16,903	-	16,903
Depreciation	-	20,739	-	-	20,739	-	-	20,739
Marketing and development	-	-	-	-	-	-	28,061	28,061
	\$ 344,644	\$ 518,950	\$ 6,458	\$ 345,405	\$ 1,215,457	\$ 128,423	\$ 111,031	\$ 1,454,911

Justice and Mercy International, Inc.**Statements of Cash Flows**

For the Year Ending June 30, 2020 and Nine Months Ending June 30, 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 216,202	\$ 19,773
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	27,653	20,739
Change in operating assets and liabilities:		
Accounts receivable	10,654	2,304
Prepaid expenses	105,362	(115,799)
Inventory	583	(3,629)
Accounts payable	(38,470)	14,911
Accrued expenses	(1,424)	(1,947)
Deferred revenue	(37,508)	107,020
Net cash (used) provided by operating activities	<u>283,052</u>	<u>43,372</u>
Cash flows from financing activities		
Proceeds from PPP loan	<u>105,495</u>	<u>-</u>
Net cash (used) provided by financing activities	105,495	-
Net change in cash	388,547	43,372
Cash, beginning of period	<u>488,358</u>	<u>444,986</u>
Cash, end of period	\$ 876,905	\$ 488,358

Justice and Mercy International, Inc.
Notes to Financial Statements
For the Year Ending June 30, 2020 and Nine Months Ending June 30, 2019

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Justice and Mercy International, Inc. (the Organization), is a not-for-profit organization with offices in Franklin, Tennessee. The Organization was formed and incorporated in 2008 to mobilize the Church to reach the poor, the orphaned, and the forgotten people of the world.

The Organization is involved in ministries in Moldova and Brazil. 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. Through every action performed, the Organization intends to demonstrate the love of Jesus.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

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 Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization changed its fiscal year to the last day of June beginning in 2019. Therefore, the financial statements present operating periods for the year ending June 30, 2020 and nine months ending June 30, 2019.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are liquid assets with minimal interest rate risk and original maturities of three months or less. Such assets primarily consist of depository account balances and money market funds. The Organization had no cash equivalents at June 30, 2020 and 2019.

Justice and Mercy International, Inc.
Notes to Financial Statements
For the Year Ending June 30, 2020 and Nine Months Ending June 30, 2019

Note 1. Summary of Significant Accounting Policies

Property and Equipment

Property and equipment are recorded at cost, or for donated assets, at fair value at the date of donation, less accumulated depreciation. Property and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets which range from 5 to 7 years for furniture and equipment and 39 years for buildings.

Significant additions and betterments in excess of \$1,000 are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Inventory

Inventory consists of promotional merchandise for sale and is recorded at the lower of cost determined by the first-in first-out (FIFO) method or net realizable value.

Revenue Recognition

On July 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The Organization performed an analysis of revenue streams and transitions to determine in-scope applicability. The adoption of ASC 606 did not materially impact the financial statements and related disclosures.

On July 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this ASU resulted in the treatment of most governmental grants as donor-restricted conditional contributions rather than exchange transactions. The new standard also clarified the criteria for evaluating whether contributions are unconditional or conditional. The adoption of this ASU did not materially impact the financial statements and related disclosures.

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. Reimbursement receipts received prior to year-end for travel which will be incurred subsequent to year end has been recorded as deferred revenue.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Air, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as *debt* and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a *conditional contribution* where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as debt.

Justice and Mercy International, Inc.
Notes to Financial Statements
For the Year Ending June 30, 2020 and Nine Months Ending June 30, 2019

Note 1. Summary of Significant Accounting Policies

Donated Services

Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the fair value of the services received.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services

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.

Management and General

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 organization oversight, business management, record keeping, budgeting, financing, and other administrative activities.

Fundraising

Fundraising includes cost of activities directed toward appeals for financial support, including special event costs including food, space rental, entertainment, communication, wait staff, etc. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. 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. Salaries and wages are allocated based on time and effort. Expenses for all other functional areas are directly assigned.

Income Taxes

The Organization is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3). This code section enables the Organization to accept donations that qualify as charitable contributions to the donor.

US GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2020, 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 Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to IRS audit for the years ending before June 30, 2016.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Justice and Mercy International, Inc.
Notes to Financial Statements
For the Year Ending June 30, 2020 and Nine Months Ending June 30, 2019

Note 2. Availability and Liquidity

The following represents the Organization's financial assets at June 30:

	2020	2019
Financial assets at year end		
Cash	\$ 876,905	\$ 488,358
Accounts receivable	-	10,654
Total financial assets at year end	<u>876,905</u>	<u>499,012</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>(166,490)</u>	<u>(75,259)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 710,415	\$ 423,753

As part of its liquidity plan, the Organization has a policy to structure its financial assets in order to have the funds available to meet its general expenditures, liabilities, and other obligations as they come due.

Note 3. Property and Equipment

Property and equipment consist of the following as of June 30:

	2020	2019
Land and buildings	\$ 534,629	\$ 534,629
Furniture and equipment	<u>3,911</u>	<u>3,911</u>
	538,540	538,540
Less accumulated depreciation	<u>(130,881)</u>	<u>(103,228)</u>
	\$ 407,659	\$ 435,312

Note 4. PPP Loan

On April 28, 2020, the Organization received a loan in the amount of \$105,495 in accordance with the PPP section of the CARES Act. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of the report date, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended 100% on potential qualifying costs as defined by the legislation. The unsecured note bears interest at the rate of 1.00% and matures on April 28, 2022. As long as the Organization submits its loan forgiveness application within 10 months of December 31, 2020, the Organization will not be required to make any payments on the loan until the forgiveness amount is remitted to the lender by the U.S. Small Business Administration (SBA). If the loan is fully forgiven, the Organization will not be responsible for any payments.

The Organization has elected to treat the PPP loan as debt and presented it as its own line item on the financial statements. The Organization has not recorded accrued interest due on the note through fiscal year-end as the amount is immaterial. Total amounts of \$46,397 are due in the next 12 months and \$59,098 in the 12 months thereafter.

Justice and Mercy International, Inc.
Notes to Financial Statements
For the Year Ending June 30, 2020 and Nine Months Ending June 30, 2019

Note 5. Net Assets

Net assets of \$353,114 and \$98,513 were released from donor restrictions by incurring expenses satisfying the restrictions specified by the donor in 2020 and 2019, respectively. Donor restrictions were as follows as of June 30:

	2020	2019
Amazon build a school	\$ 21,166	\$ 16,899
Amazon pastors transportation	8,000	8,000
Amazon food bags	9,892	-
Amazon medical	2,469	-
Amazon new boat	-	24,460
Misson trip scholarship fund	52,423	-
Moldova priority needs: community center	10,000	10,000
Moldova vans	12,544	-
Moldova food bags	6,050	-
Moldova TL capital campaign	16,508	15,900
Steve Davis heart for Moldova fund	27,438	-
	<u>\$ 166,490</u>	<u>\$ 75,259</u>

In addition, the Board designated \$279,382 and \$182,884 of unrestricted net assets to be used towards mission trip scholarships, Amazon new boat, Amazon food bags, Amazon medical fund, Amazon priority needs, Amazon pastors, and Moldova TL capital campaign at June 30, 2020 and 2019, respectively.

Note 6. Retirement Plan

The Organization has adopted a 403(b) retirement plan that allows full time employees who work more than 32 hours per week to participate. The Organization made an employer contribution equal to 5% of employee's salary which totaled \$19,720 and \$13,434 for the year ending June 30, 2020 and nine months ending June 30, 2019, respectively.

Note 7. Concentrations and Uncertainties

At various times during the year, the Organization's cash on deposit with financial institutions exceeded the federally insured limit of \$250,000. At June 30, 2020 and 2019, the Organization had deposits in excess of the federally insured limit totaling approximately \$376,000 and \$225,000, respectively.

On March 11, 2020, the World Health Institute recognized the novel strain of coronavirus, COVID-19, as a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. If the pandemic continues to evolve into a long-term worldwide health crisis, the disease could have an adverse effect on the Organization's, results of operations, financial condition and cash flows.

Justice and Mercy International, Inc.
Notes to Financial Statements
For the Year Ending June 30, 2020 and Nine Months Ending June 30, 2019

Note 8. Related Party Transactions

The Organization is affiliated with Rolling Hills Community Church (RHCC) in Franklin, Tennessee. RHCC provides office space to the Organization at no charge which the Organization has not recorded as the amount is immaterial. RHCC also contributes a portion of its weekly offering to the Organization. During the year ending June 30, 2020 and the nine months ending June 30, 2019, RHCC contributed \$270,205 and \$235,916, respectively to the Organization.

The Organization supports related ministries in foreign countries. Two of these 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 \$481,000 and \$389,000 in support and the Brazilian organization, Justice and Mercy Amazon, received approximately \$612,000 and \$270,000 in support during the year ending June 30, 2020 and the nine months ending June 30, 2019, respectively.

Note 9. Subsequent Events

The Organization has evaluated subsequent events through October 13, 2020, the date which the financial statements were available to be issued.