

JUSTICE AND MERCY INTERNATIONAL, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021 AND 2020

JUSTICE AND MERCY INTERNATIONAL, INC.

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June 30, 2021 and 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Justice and Mercy International, Inc. (the Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 Organization'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 Organization'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

(Auditor's report continued on next page)

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 Justice and Mercy International, Inc., as of June 30, 2021, 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 year ended June 30, 2020, were audited by other auditors, whose report, dated October 13, 2020, expressed an unmodified opinion on those statements.

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 20, 2021

JUSTICE AND MERCY INTERNATIONAL, INC.
Statements of Financial Position
June 30, 2021 and 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 1,174,966	\$ 876,905
Prepaid expenses and other current assets	5,190	10,437
Inventory	33,646	31,195
Total Current Assets	<u>1,213,802</u>	<u>918,537</u>
Property and Equipment		
Land and buildings	534,629	534,630
Furniture and equipment	55,677	3,911
Leasehold improvements	314,282	-
Less - Accumulated depreciation	(161,067)	(130,882)
Net Property and Equipment	<u>743,521</u>	<u>407,659</u>
Total Assets	<u><u>\$ 1,957,323</u></u>	<u><u>\$ 1,326,196</u></u>
 <u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 12,129	\$ 2,298
Accrued expenses	10,551	9,755
Deferred revenue	51,300	72,294
Paycheck Protection Program (PPP) loan	-	105,495
Total Current Liabilities	<u>73,980</u>	<u>189,842</u>
Total Liabilities	<u>73,980</u>	<u>189,842</u>
Net Assets		
Without donor restrictions	1,465,329	690,482
Without donor restrictions - Designated by the board	182,884	279,382
Total without donor restrictions	1,648,213	969,864
With donor restrictions	235,130	166,490
Total Net Assets	<u>1,883,343</u>	<u>1,136,354</u>
Total Liabilities and Net Assets	<u><u>\$ 1,957,323</u></u>	<u><u>\$ 1,326,196</u></u>

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

JUSTICE AND MERCY INTERNATIONAL, INC.
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 1,843,374	\$ 367,703	\$ 2,211,077
Special event income	421,122	-	421,122
Merchandise sales, net	2,727	-	2,727
Other income	116,245	-	116,245
Interest income	3,474	-	3,474
Net assets released from restriction	299,063	(299,063)	-
Total Revenues and Support	<u>2,686,005</u>	<u>68,640</u>	<u>2,754,645</u>
Expenses			
Program services	1,595,092	-	1,595,092
Management and general	162,903	-	162,903
Fundraising	249,661	-	249,661
Total Expenses	<u>2,007,656</u>	<u>-</u>	<u>2,007,656</u>
Change in Net Assets	678,349	68,640	746,989
Net Assets - Beginning of the Year	<u>969,864</u>	<u>166,490</u>	<u>1,136,354</u>
Net Assets - End of the Year	<u>\$ 1,648,213</u>	<u>\$ 235,130</u>	<u>\$ 1,883,343</u>

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

JUSTICE AND MERCY INTERNATIONAL, INC.
Statements of Activities and Changes in Net Assets (Continued)
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 1,649,090	\$ 444,345	\$ 2,093,435
Special event income	277,792	-	277,792
Merchandise sales, net	15,941	-	15,941
Other income	-	-	-
Interest income	1,363	-	1,363
Net assets released from restriction	353,114	(353,114)	-
Total Revenues and Support	<u>2,297,300</u>	<u>91,231</u>	<u>2,388,531</u>
Expenses			
Program services	1,741,283	-	1,741,283
Management and general	200,792	-	200,792
Fundraising	230,254	-	230,254
Total Expenses	<u>2,172,329</u>	<u>-</u>	<u>2,172,329</u>
Change in Net Assets	124,971	91,231	216,202
Net Assets - Beginning of the Year	<u>844,893</u>	<u>75,259</u>	<u>920,152</u>
Net Assets - End of the Year	<u>\$ 969,864</u>	<u>\$ 166,490</u>	<u>\$ 1,136,354</u>

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

JUSTICE AND MERCY INTERNATIONAL, INC.
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 746,989	\$ 216,202
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities		
Depreciation	30,185	27,653
Forgiveness of PPP loan	(105,495)	-
(Increase) decrease in accounts receivable	-	10,654
(Increase) decrease in prepaid expense and other assets	5,247	105,362
(Increase) decrease in inventory	(2,451)	583
Increase (decrease) in accounts payable	9,831	(38,470)
Increase (decrease) in payroll and other liabilities	(20,198)	(38,932)
Net Cash Provided by (Used for) Operating Activities	<u>664,108</u>	<u>283,052</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(366,047)	-
Net Cash Provided by (Used for) Investing Activities	<u>(366,047)</u>	<u>-</u>
Cash Flows from Financing Activities		
Purchases of property and equipment	-	105,495
Net Cash Provided by (Used for) Financing Activities	<u>-</u>	<u>105,495</u>
Net Change in Cash	298,061	388,547
Cash - Beginning of the Period	<u>876,905</u>	<u>488,358</u>
Cash - End of Period	<u><u>\$ 1,174,966</u></u>	<u><u>\$ 876,905</u></u>

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

JUSTICE AND MERCY INTERNATIONAL, INC.
Statements of Functional Expenses
For the Year Ended June 30, 2021

	Program			Total	Management		
	Amazon	Moldova	Mission Trips	Program	and General	Fundraising	Total
Salaries and benefits	\$ 155,974	\$ 174,970	\$ 97,135	\$ 428,079	\$ 110,435	\$ 166,577	\$ 705,091
Travel expenses	-	-	-	-	-	5,892	5,892
Assistance	442,211	636,682	7,123	1,086,016	-	-	1,086,016
Office expenses	16,833	19,027	10,245	46,105	10,778	15,625	72,508
Professional fees	2,060	2,329	1,254	5,643	10,911	1,791	18,345
Special events	-	-	-	-	-	47,357	47,357
Fees and charges	-	-	-	-	30,349	-	30,349
Depreciation expense	583	28,312	354	29,249	430	506	30,185
Marketing and development	-	-	-	-	-	11,913	11,913
Total Functional Expenses	\$ 617,661	\$ 861,320	\$ 116,111	\$ 1,595,092	\$ 162,903	\$ 249,661	\$ 2,007,656

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

JUSTICE AND MERCY INTERNATIONAL, INC.
Statements of Functional Expenses (Continued)
For the Year Ended June 30, 2020

	Program			Total	Management		
	Amazon	Moldova	Mission Trips	Program	and General	Fundraising	Total
Salaries 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	-	-	-	-	-	42,882	42,882
Fees and charges	-	-	-	-	23,393	-	23,393
Depreciation expense	-	27,653	-	27,653	-	-	27,653
Marketing and development	-	-	-	-	-	14,226	14,226
Total Functional Expenses	\$ 748,036	\$ 699,583	\$ 293,664	\$ 1,741,283	\$ 200,792	\$ 230,254	\$ 2,172,329

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

JUSTICE AND MERCY INTERNATIONAL, INC.
Notes to Financial Statements
June 30, 2021 and 2020

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 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 financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned rather than when collected and expenses are recorded when incurred rather than when disbursed.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reporting of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to two classes of net assets (net assets with and without restrictions) based on the existence or absence of donor-imposed restrictions.

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. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by the actions of the Organization pursuant to those restrictions or that they expire by the passage of time.

Donor restricted contributions are reported as increases in net assets with restrictions. When a restriction expires, net assets are reclassified from net assets with restrictions to net assets without restrictions in the Statements of Activities and Changes in Net Assets.

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, contributions, event income, and merchandise income. Non-operating activities are limited to resources that generate return from investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature. There were no non-operating activities for the periods ended June 30, 2021 and 2020.

Cash and Cash Equivalents

Cash and cash equivalents are 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 had no cash equivalents at June 30, 2021 and 2020.

Program and Supporting Services – Functional Allocation

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

Supporting Services - Fundraising and Special Events - the Organization conducts fundraising activities including special events, exhibit and art displays, and online advertising. Direct costs for these activities are recorded as fundraising expenses. Additionally, costs for independent contractors and salaries are allocated to fundraising based on time spent on fundraising activities as a percentage of total time.

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. There were no donated services for the years ended June 30, 2021 and 2020.

Inventory

Inventories of books, jewelry and apparel purchased for resale are stated at the lower of cost or net realizable value, determined by the first-in first-out (FIFO) method.

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 following estimated useful lives of the assets.

Furniture and equipment	5 -7 years
Leasehold improvements	40 years

Significant additions and betterments in excess of \$2,500 are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation expense was \$30,185 and \$27,653 for the years ended June 30, 2021 and 2020.

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.

Revenue Recognition

The Organization's revenue and support comes primarily from 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.

Revenue from contracts with customers is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price
- Recognition of revenue when, or as, the Organization satisfies a performance obligation.

Revenues are recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services.

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

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). U.S. 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 elected to treat the PPP loan as debt. The Organization received official forgiveness during the year ended June 30, 2021.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

The Organization follows the guidance in Accounting Standard Codification (ASC) 740-10 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. The Organization incurred no interest or penalties during the years ended June 30, 2021 and 2020.

Fair Value Measurements

The Organization follows Financial Accounting Standards Board (FASB) ASC 820-10, *Fair Value Measurements*, with the 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 establishes a fair value hierarchy that prioritizes 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 the fair value in three levels, 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 values.

Reclassifications

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

Note 2 - Liquidity and Availability

The Organization's financial assets available within one year of the Statements of Financial Position for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ <u>1,174,966</u>	\$ <u>876,905</u>
Total financial assets	1,174,966	876,905
Less – Net assets with donor restrictions	<u>(235,130)</u>	<u>(166,490)</u>
Financial assets available to meet cash needs for general expenditures over the next year	\$ <u><u>939,836</u></u>	\$ <u><u>710,415</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 become due.

Note 3 - Credit Risk

The Organization maintains its cash in bank deposit accounts that at times may exceed the federally insured limit of \$250,000. The Organization has not experienced, nor does it anticipate, any losses with respect to such amounts.

Note 4 - 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 \$20,936 and \$19,720 for the years ending June 30, 2021 and 2020, respectively.

Note 5 - Net Assets with Donor Restrictions

Net assets of \$299,063 and \$353,114 were released from donor restrictions by incurring expenses satisfying the restrictions specified by the donor in 2021 and 2020, respectively. Donor restrictions were as follows as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amazon Build a School	\$ 21,130	\$ 21,166
Amazon Pastors Transportation	8,000	8,000
Amazon Terra de Paz Repairs	5,000	-
Amazon Indigenous Pastor Trips	32,000	-
Amazon Food Bags	-	9,892
Amazon Medical	-	2,469
Mission Trip Scholarship Fund	52,423	52,423
Moldova Priority Needs: Community Center	-	10,000
Moldova Vans	12,544	12,544
Moldova Food Bags	-	6,050
Jennifer Sevier Moldova Fund	883	-
Steve Davis Heart for Moldova Fund	103,150	27,438
Moldova TL Capital Campaign	-	16,508
	<u>\$ 235,130</u>	<u>\$ 166,490</u>

In addition, the Board has designated \$608,936 and \$279,382 of unrestricted net assets to be used towards mission trip scholarships, Amazon school funds, Amazon emergency food/medical fund, Amazon priority needs fund, Amazon pastors fund, Moldova priority needs fund, and Moldova TL capital campaign fund as June 30, 2021 and 2020, respectively.

Note 6 - In-Kind Donations

On April 1, 2021 the Organization moved into new office space in Nashville, Tennessee and entered into a lease agreement with Rolling Hills Community Church (See Note 7). The office space lease is approximately 4,300 square feet and is being donated to the Organization. The initial term of the lease is for one year, expiring on March 31, 2022. Upon the expiration of the initial term, the lease will automatically renew for additional consecutive terms of one year each renewal term. Either party may terminate the lease by providing 180 days' written notice. The estimated the value of the lease is \$43,000 or \$3,583.33 per month. As of June 30, 2021, the Organization recorded both revenue and rent expense of \$10,750 on the Statements of Activities and Changes in Net Assets.

Note 7 - 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, 2021 and 2020, RHCC donated \$304,477 and \$270,205, 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 \$637,000 and \$481,000 in support and the Brazilian organization, Justice and Mercy Amazon, received approximately \$442,000 and \$612,000 during the years ended June 30, 2021 and 2020, respectively.

Note 8 - Concentrations and Uncertainties

The Organization receives a substantial amount of its support and revenues from businesses, individuals, churches, and foundations.

In December 2019, an outbreak of a novel strain coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, virtually all jurisdictions in the U.S. have declared a state of emergency and have declared a "shelter in place" mandate for all residents and closure of all non-essential businesses. It is anticipated that these impacts will continue for some time. The further effects of these issues are unknown. In the spring of 2021, world governments began the broad distribution of COVID-19 vaccines to the general population. In most of the industrialized world, a precipitous drop in the numbers of active COVID-19 cases resulted.

Note 9 - Subsequent Events

Management has evaluated subsequent events through October 20, 2021, the date that the financial statements were available to be issued.

Note 10 - Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842), which requires lessees to recognize assets and liabilities for most leases. The recognition measurement, and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance. The standard, as amended, will be effective for annual reporting periods beginning after December 15, 2021. Accordingly, this ASU will be effective for the Organization for the year ending June 30, 2023. The Organization is currently evaluating the impact that adoption of the ASU will have on the Organization's financial position and results of operations.