Mercy Beyond Borders

Financial Statements

June 30, 2023

Independent Auditors' Report

To the Board of Directors of
Mercy Beyond Borders

Opinion

We have audited the financial statements of Mercy Beyond Borders (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Basis for Opinion

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

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.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 audit.

Baker Tilly US, LLP

San Francisco, California
March 29, 2024

Mercy Beyond Borders

Statement of Financial Position
June 30, 2023

Assets		
Current Assets		
Cash and cash equivalents	$	214,345
Receivables:		
Grants and pledges, net		340,026
Employee retention credit		54,360
Other		980
Investments		1,738,712
Prepaids and other current assets		6,541
Total current assets		2,354,964
Property And Equipment, Net		64,738
Long-Term Assets		
Grants and pledges receivable, net		650,144
Operating lease right-of-use assets		56,498
Total assets	$	3,126,344
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$	33,022
Operating lease liabilities		29,370
Total current liabilities		62,392
Net Assets		
Without donor restrictions:		
Undesignated		1,707,904
Board designated		50,000
Total net assets without donor restrictions		1,757,904
With donor restrictions		1,306,048
Total net assets		3,063,952
Total liabilities and net assets	$	3,126,344

See notes to financial statements

Mercy Beyond Borders

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenues and Losses			
Contributions	$ 1,900,664	$ 193,830	$ 2,094,494
Employee retention credit	54,360	-	54,360
Net investment gain (loss)	(3,967)	17,282	13,315
Loss on disposal of property and equipment	(26,936)	-	(26,936)
	1,924,121	211,112	2,135,233
Net assets released from restrictions	607,499	(607,499)	-
Total support, revenues and losses	2,531,620	(396,387)	2,135,233
Expenses			
Program services	1,320,187	-	1,320,187
Supporting services:			
Management and general	229,678	-	229,678
Fundraising	140,819	-	140,819
Total support services	370,497	-	370,497
Total expenses	1,690,684	-	1,690,684
Change in net assets	840,936	(396,387)	444,549
Net Assets, Beginning	916,968	1,702,435	2,619,403
Net Assets, Ending	$ 1,757,904	$ 1,306,048	$ 3,063,952

Mercy Beyond Borders

Statement of Functional Expenses
Year Ended June 30, 2023

	Program	Management and general	Fundraising	Total
Student scholarships and auxiliaries	$ 542,348	$ -	$ 106	$ 542,454
Salaries and employee benefits	169,633	103,363	57,682	330,678
Professional fees	293,206	111,112	35,543	439,861
Travel and meetings	110,487	4,483	5,743	120,713
Taxes and government fees	46,460	-	-	46,460
Rent, parking, other occupancy	44,720	781	933	46,434
Information technology	22,491	860	7,957	31,308
Office supplies	12,819	1,362	5,122	19,303
Bank fees	7,670	994	9,878	18,542
Repairs and maintenance	18,398	-	-	18,398
Depreciation	16,351	-	-	16,351
Insurance	9,488	3,472	122	13,082
Advertising and promotion	410	3,039	9,530	12,979
Staff development	10,039	-	1,838	11,877
Fee expenses	7,716	-	-	7,716
Special event expenses	-	-	6,269	6,269
Utilities	4,333	-	-	4,333
Other	3,618	212	96	3,926
	$ 1,320,187	$ 229,678	$ 140,819	$ 1,690,684

See notes to financial statements

Mercy Beyond Borders

Statement of Cash Flows
Year Ended June 30, 2023

Cash Flows From Operating Activities	
Change in net assets	$ 444,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,351
Unrealized loss	28,500
Loss from sale of property equipment	26,936
Amortization of operating right-of-use asset	19,903
Changes in operating assets and liabilities:	
Receivables	394,997
Prepaids and other assets	3,604
Accounts payable and accrued liabilities	19,687
Right-of-use liabilities	(13,584)
Net cash provided by operating activities	940,943
Cash Flows From Investing Activities	
Proceeds from sale of investments	233,185
Proceeds from sale of property and equipment	41,153
Purchases of investments	(1,176,012)
Purchases of property and equipment	(8,460)
Net cash used in investing activities	(910,134)
Net increase in cash and cash equivalents	30,809
Cash and Cash Equivalents, Beginning	183,536
Cash and Cash Equivalents, Ending	$ 214,345

See notes to financial statements

1. Description of Operations and Summary of Significant Accounting Policies

Description of Operations

Mercy Beyond Borders (the Organization) is a California not-for-profit organization, formed in 2007, with a mission of "Forging ways for women and girls to learn, connect, and lead." The Organization works only in countries of extreme poverty where women and girls are marginalized. The Organization currently works in East Africa, Haiti and Malawi. The Organization raises funds to support its charitable purposes and provides education opportunities for girls and women at the primary, secondary, and university levels. It supports its scholars through a case management model and provides leadership training and opportunities.

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for Not-for-Profit Organizations (GAAP).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or grantor) restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes. At June 30, 2023, the board of directors designated $50,000 of net assets without donor restrictions for university scholarships.

Net Assets With Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

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

Foreign Currency Transactions

Foreign currency transaction gains and losses are results of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency. Gains and losses on those foreign currency transactions are included in determining the change in net assets for the period in which exchange rate changes. During the year ended June 30, 2023, foreign currency transaction gains and losses were immaterial to the financial statements.

Cash and Cash Equivalents

The Organization maintains cash and cash equivalents with major financial institutions in different countries and currency. The Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents unless the investments are held for meeting restrictions of a capital or endowment nature.

Grants and Pledges Receivable

Grants receivables are recognized when an unconditional promise to give is made by a donor. Accordingly, an unconditional promise to give that extends beyond one year is discounted to reflect its net present value using risk-free interest rates applicable to the years in which the promises are received.

The Organization provides an allowance for doubtful accounts based upon management's evaluation of the collectability of individual promises. Contributions receivable are written off against the allowance when it is probable that the receivable will not be collected.

Investments

Investments consist of money market funds and exchange traded funds, which are stated at fair values, determined based on quoted market prices. Investments received by donation are recorded at fair value at the date of donation. Unrealized gains and losses resulting from market fluctuations are recognized in the period such fluctuations occur. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law. Interest and dividends are recognized when earned.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its investments, using a three-level hierarchy for fair-value measurements, based on the nature of inputs used in the valuation of the financial assets as of the measurement date.

The three-level hierarchy for fair-value measurements is defined as follows:

- Level 1 inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.

- Level 3 inputs to the valuation methodology - unobservable and significant to the fair-value measurement.

The asset's or liability's fair-value measurement level within the fair-value hierarchy is based on the lowest level of any input that is significant to the fair-value measurement. Valuation techniques used need to maximize the observable inputs and minimize the use of unobservable inputs. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other practices, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property and Equipment

The Organization capitalizes all property and equipment with a cost greater than $2,500 and an estimated useful life in excess of one year. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the contribution, net of accumulated depreciation. Minor repairs and maintenance are charged to expense as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. The Organization will record impairment losses when determined.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

	Years
Furniture and fixtures	5 – 10
Vehicles	5 – 10

Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recognized when received as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Nonfinancial Assets

Contributed nonfinancial assets are recorded as support and expenses in the accompanying financial statements at their estimated fair market values on the date of the donation.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services to the Organization's program operations and fundraising campaigns. However, the majority of contributed services do not meet the criteria for recognition in the financial statements. U.S. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

During the year ended June 30, 2023, the Organization did not record any contributed nonfinancial assets.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited on the basis of staff time utilized and the ultimate purpose of the expense.

Tax Status

The Organization has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code (IRC) and by the California Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code. Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. Accordingly, no provision for income tax has been made in the accompanying financial statements.

GAAP provides disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and does not believe that the Organization has any uncertain tax positions that require disclosure or adjustment to the financial statements. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three to four years, respectively, after they are filed.

Recent Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual reporting periods beginning after December 15, 2022. The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial statements.

Newly Adopted Accounting Pronouncement

Effective July 1, 2022, the Organization adopted ASU No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with associated right-of-use assets and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. Lease expense for an Organization's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. The Organization has no finance leases. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of $46,307 and $21,861, respectively.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all asset classes.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities.

- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

The adoption of ASC No. 842 included a beginning balance net asset impact of $24,446.

Additional required disclosures for Topic 842 are contained in Note 8.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements are available to be issued, March 29, 2024.

2. Liquidity and Availability of Financial Assets

The Organization's primary source of revenue are grants and contributions.

The Organization has various sources of liquidity at its disposal, including cash, cash equivalents, and investments. In addition to financial assets available to meet general expenditures, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The following table shows the total financial assets held by the Organization as at June 30, 2023 and the amounts of those financial assets that could be readily made available within one year of the statement of financial position date to meet general expenditures.

Financial assets as of June 30, 2023:

Cash and cash equivalents	$ 214,345
Receivables	991,150
Investments	1,738,712
Total financial assets	2,994,207
Less amounts not available to be used within one year:	
Board-designated funds	(50,000)
Restricted by donors for purpose or time	(650,144)
Time restricted pledges receivable expected within one year	340,026
	$ 2,584,098

The Organization considers all expenditures related to its ongoing program and administrative activities to be general expenditures.

3. Grants and Pledges Receivable

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as grants and pledges receivable and revenue in the appropriate net asset category. Long-term promises to give are recorded using an average discount rate of 5.14%.

At June 30, 2023, grants and pledges receivable, consisted of the following:

	Due Within 1 Year	Due Within 2-5 Years	Total
Grants and pledges receivable	$ 340,026	$ 699,265	$ 1,039,291
Less discount to present value	-	(49,121)	(49,121)
Total	$ 340,026	$ 650,144	$ 990,170

4. Investments and Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's investments measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	$ 1,395,501	$ -	$ -	$ 1,395,501
Mutual funds	343,211	-	-	343,211
Total	$ 1,738,712	$ -	$ -	$ 1,738,712

The composition of the net investment gain (loss) reported on the statement of activities for the year ended June 30, 2023, is as follows:

Interest and dividends, net	$ 41,815
Unrealized loss on investments	(28,500)
Total	$ 13,315

5. Employee Retention Credit (ERC)

The ERC which was included as part of the CARES Act and amended by the Consolidated Appropriations Act (CAA) and the American Rescue Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. During the year ended June 30, 2023, the Organization determined they qualified for the ERC for the second and third quarter of 2021 and claimed credits of $54,360 on amended 941s which are recorded as government grant in the statement of activities for the year ended June 30, 2023. As of June 30, 2023, the Organization had an ERC receivable of $54,360. The ERC was fully received on July 2023.

6. Property and Equipment, Net

At June 30, 2023, property and equipment consisted of the following:

Vehicles	$ 128,325
Furniture, fixtures and equipment	30,980
	159,305
Less accumulated depreciation and amortization	(94,567)
Total	$ 64,738

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2023:

Time restricted	$ 787,604
Scholar programs	315,878
Scholar programs with time restriction	202,566
	$ 1,306,048

Net assets with donor restrictions released from restriction during the year were as follows:

Scholar programs	$ 325,799
Time restricted	281,700
	$ 607,499

8. Leases

The Organization leases five offices space in Santa Clara, California, Uganda, Haiti and Malawi under operating lease agreements. Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term. The total rent expense was $20,405 for the year ended June 30, 2023.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.

- Determined whether contracts contain embedded leases.

- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases.

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

The Organization does not have any material leasing transactions with related parties.

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 4.40%. As of June 30, 2023, the weighted average remaining lease term two years. Minimum lease payments for 2024 and 2025 amounted to $4,608 and $2,304, respectively.

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	$ 20,405
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$ 46,307

9. Concentrations

Credit Risk

The Organization maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The balances are insured by the FDIC up to $250,000.

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Certain investment accounts are insured up to $500,000 by the Securities Investor Protection Corporation. Such balances with any one institution may, at times, be in excess of the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Contributions

During the year ended June 30, 2023, 56% of contributions were received from one donor.