



Mercy Projects
(A California Not-for-Profit Religious Corporation)

**FINANCIAL STATEMENTS AND
ACCOUNTANT'S COMPILATION REPORT**

For the Year Ended
December 31, 2024



MERCY PROJECTS

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of
Mercy Projects
Murrieta, California

Management is responsible for the accompanying financial statements of Mercy Projects, (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2024, 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 accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy, or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to Mercy Projects as of and during the year ended December 31, 2024, because we performed accounting services for the Organization from January 2024 through December 2024.

A handwritten signature in blue ink that reads "MPK".

Murrieta, California
September 20, 2025

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MERCY PROJECTS*Statement of Financial Position**December 31, 2024*

ASSETS

Current assets:

Cash and cash equivalents	\$	190,524
Operating Investments		446,105
Prepaid and other current assets		35,300
Receivables		99,259
Inventory		6,237
Total current assets		<u>777,425</u>

Noncurrent assets:

Property and equipment, net		<u>224,120</u>
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Total Assets**\$ 1,001,545**

LIABILITIES AND NET ASSETS**Liabilities**

Current liabilities:

Accounts payable	\$	7,086
Accrued payroll liabilities		20,443
Deferred compensation liability, current portion		50,000
Total current liabilities		<u>77,529</u>

Long-term liabilities:

Deferred compensation liability		<u>50,000</u>
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Total liabilities**127,529**

Net Assets

Without donor restrictions		<u>874,016</u>
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Total Liabilities and Net Assets**\$ 1,001,545**

See accompanying accountant's compilation report and notes

MERCY PROJECTS*Statement of Activities**For the Year Ended December 31, 2024*

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions and donations	\$ 762,763	\$ -	\$ 762,763
Sales of merchandise	30,216	-	30,216
Less, costs of merchandise	(12,418)	-	(12,418)
Net sales of merchandise	17,798	-	17,798
Investment earnings, net of expenses	56,914	-	56,914
Other income	41	-	41
Total revenues, gains, and other support	837,516	-	837,516
Expenses			
Program services			
Ministry	842,668	-	842,668
Supporting services:			
Management and general	64,445	-	64,445
Fundraising and development	42,359	-	42,359
Total expenses	949,472	-	949,472
Change in net assets	(111,956)	-	(111,956)
Net Assets			
Beginning of year	969,071	-	969,071
Restatement (Note 8)	16,901	-	16,901
Beginning of year, as restated	985,972	-	985,972
End of year	\$ 874,016	\$ -	\$ 874,016

See accompanying accountant's compilation report and notes

MERCY PROJECTS*Statement of Functional Expenses**For the Year Ended December 31, 2024*

	Supporting			Total
	Program Services	Services		
	Ministry	Management And General	Fundraising and Development	Expenditures
Salaries and wages	\$ 123,280	\$ 34,446	\$ 23,568	\$ 181,294
Payroll taxes	2,430	679	465	3,574
Employee benefits	5,888	1,645	1,126	8,659
Total Salaries and Benefits	131,598	36,770	25,159	193,527
Accounting	-	14,469	-	14,469
Advertising and marketing	-	-	8,552	8,552
Bank and merchant fees	5,935	1,658	1,135	8,728
Conferences and meetings	5,290	1,709	1,011	8,010
Cost of goods sold	12,418	-	-	12,418
Depreciation	3,992	-	-	3,992
Dues and subscriptions	255	71	49	375
Equipment rental	1,748	488	334	2,570
Information technology	4,996	1,396	955	7,347
Insurance	-	86	-	86
Legal	-	249	-	249
Occupancy	11,206	3,131	2,142	16,479
Office supplies	3,664	1,025	700	5,389
Outside services	1,496	418	286	2,200
Postage and shipping	6,460	1,805	1,235	9,500
Printing and publication	2,588	723	495	3,806
Taxes and fees	1,601	447	306	2,354
Travel	45,984	-	-	45,984
Total Other Operating	107,633	27,675	17,200	152,508
Grants and assistance to others for ministry	615,855	-	-	615,855
Total Expenses	\$ 855,086	\$ 64,445	\$ 42,359	\$ 961,890
Less expenses included with revenues on the statement of activities				
Cost of goods sold	(12,418)	-	-	(12,418)
Total expenses included in the expense section on the statement of activities	\$ 842,668	\$ 64,445	\$ 42,359	\$ 949,472

See accompanying accountant's compilation report and notes

MERCY PROJECTS*Statement of Cash Flows**For the Year Ended December 31, 2024*

Cash Flows from Operating Activities

Change in net assets	\$	(111,956)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense		3,992
Realized and unrealized (gain) loss on operating investments		(20,013)
(Increase) decrease in operating assets:		
Inventory		663
Prepaid expenses		(35,300)
Increase (decrease) in operating liabilities:		
Accounts payable		3,599
Accrued payroll liabilities		821
Deferred compensation liability		(50,000)
Net cash provided (used) by operating activities		<u>(208,194)</u>

Cash Flows from Investing Activities

Repayment of loans receivable		50,927
Purchases of investments		(99,723)
Sales of investments		162,126
Additions to property and equipment		(214,251)
Net cash provided (used) by investing activities		<u>(100,921)</u>

Net increase (decrease) in cash (309,115)

Cash and cash equivalents

Beginning of year		<u>508,639</u>
Restatement (Note 8)		<u>(9,000)</u>
Beginning of year, as restated		<u>499,639</u>
End of year	\$	<u><u>190,524</u></u>

See accompanying accountant's compilation report and notes

MERCY PROJECTS

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mercy Projects (Organization) was formed in California in 1980 as a tax-exempt not-for-profit corporation under Section 501 (c)(3) of the Internal Revenue Code. The mission of Mercy Projects is to be a Christ-centered, family-focused ministry assisting vulnerable children, the poor, and the widow. The Organization operates primarily in Ukraine, with other programs in Kosovo, Armenia, the Republic of Georgia, and Russia. The approach to ministry programs is to strengthen vulnerable families and children by providing ministry services, grocery support, counseling, Christian case workers, and spiritual assistance.

Other program objectives include:

- Providing for families with at-risk children and supporting child development by supporting families and keeping children out of institutions.
- Training and encouraging families and social workers to find family solutions for at-risk children in their community both locally and internationally.
- Sending Americans on short and long-term service projects overseas to areas where Mercy Projects provides ministry program services.

A substantial part of revenue sources is derived from contributions and donations.

Basis of Presentation and Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (US GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958 addresses general-purpose external financial statements appropriate for not-for-profit organizations. The Organization does not use fund accounting.

Under the provisions of the ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified 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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by the actions of the not-for-profit Organization to satisfy a particular purpose restriction, or by the passage of time. Some donor restrictions are perpetual (or permanent) in nature, whereby the donor has stipulated the funds be maintained in perpetuity, whereby the corpus of the donation must remain unspent.

MERCY PROJECTS

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Organization considers cash on hand, certificates of deposit with original maturity dates of three months or less at the date of investment, as well as money market funds and other similar instruments readily convertible to cash to be cash and cash equivalents.

Custodial Credit Risk

Occasionally, the Organization may maintain cash on deposit at a single banking institution more than FDIC limits of \$250,000. For the year ending December 31, 2024, the Organization did not maintain cash on deposit in excess of the FDIC limits or investments in excess of SIPC limits.

Investments

The Organization holds current operating funds in more liquid assets (cash and cash equivalents) and holds long-term assets in investments that will maximize total return with minimal risk to principal (such as fixed income mutual funds and other similar investments). The Organization does not use margin accounts, short-selling, commodities, index futures, options, or the use of derivatives and other alternative investments.

The Organization follows the guidance of ASC 958-320 Not-for-profit entities - Investments in equity and debt securities and ASC 958-325, Not-for-profit entities – Investments – Other. By these standards, including the revised guidance under ASU 2016-01, the Organization has elected to report all portfolio investments at fair value, including the portfolio-wide reporting at fair value which is applied to holdings of endowment funds. Any debt or equity investments acquired at cost are measured at fair value in the Statement of Financial Position, with resulting changes in fair value measurement offset to the investment returns / loss account in the Statement of Activities. These fair value changes are reported within the appropriate class of net assets – with donor restrictions or without donor restrictions – as required by ASC 958-321-15 and ASC 958-220-45, depending on the presence of donor restrictions. The investment returns / loss account includes the aggregate of all realized and unrealized capital gains and losses and dividend income, less external and direct internal investment expenses.

Inventory

Inventory comprises program-related artisan crafts, sourced from merchants in Eastern Europe and held for resale to raise awareness for the Organization's mission. Items are stated at the lesser of cost or net realizable value. The value of crafts on hand for resale as of December 31, 2024, was \$6,237.

Prepaid Expenses and Other Current Assets

Certain costs paid out in advance of the applicable period to which they apply are classified as prepaid expenses. For the year ending December 31, 2024, the Organization recorded \$35,300 in prepaid expenses.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000 per unit or invoice. Purchased property and equipment is capitalized at cost. Minor repairs and maintenance costs, which do

MERCY PROJECTS

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

not extend the life or add value to the property and equipment, are expensed as incurred. Donations of property and equipment are recorded as contributions at their estimated fair value at the time of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or time of use. Property and equipment are depreciated using the straight-line method of depreciation over the estimated useful lives of the related assets, which are classified within the following asset types:

Buildings (Located outside of the United States)	30-50 years
Furniture and fixtures	5-7 years
Machinery and equipment	3-7 years

Revenue Recognition

Contributions

The Organization accounts for contributions in accordance with *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), Accounting Standards Update (ASU) 2018-08 Contribution revenue and bequests are accounted for under ASC Topic 958-605, Not-for-Profit Entities, Revenue Recognition. Management has elected the net asset release policy option for contributions with donor restrictions. As part of this election, the Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

For those donor-restricted contributions for which restrictions do not expire during the period, this results in an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Merchandise Sales

The Organization sells merchandise to raise awareness for its mission, as part of its program activities. Sales are incidental and not a significant part of operating activities. Sales are recognized at the time of purchase and exchange of consideration for the goods provided.

In-Kind Contributions of Goods

Donated materials, supplies, and other noncash items are recorded as in-kind contributions at their estimated fair value, in accordance with FASB ASC 958-605-30, at the date the contribution is made. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose, whereby they are reported as increases to net assets with donor restrictions. The number of in-kind contributions received during the year was not material to the financial statements and has not been estimated and recorded.

MERCY PROJECTS

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Contributions of Services

The Organization follows the recognition criteria for contributed services as stated in FASB ASC 958-605-25. During the year ended December 31, 2024, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services and have not been recorded on the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

In accordance with fair value measurements, as stated in FASB ASC 820, the Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, which are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

MERCY PROJECTS

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Vacation

The Organization provides an accrued vacation benefit to eligible employees. Amounts are accrued at the end of each year based on available total hours and applicable hourly pay rate, respectively, per employee. Accrued vacation amounts are included and presented with accrued payroll liabilities.

Income Taxes

The Organization is a non-profit religious corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, no provision has been made for income taxes. Management has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels.

The primary tax positions evaluated are related to the Organization's continued qualification as a tax-exempt religious entity and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function, as shown in the Statement of Functional Expenses. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such allocations are determined by management on an equitable basis.

The significant expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Insurance	Time and effort
Occupancy	Percentage of square footage of use
Supplies	Time and effort
Information Tech / Outside services	Time and effort
Depreciation	Percentage of square footage and use of the related asset
Postage, printing, and shipping	Time and effort

Advertising Costs

Advertising costs are expensed as incurred and were \$8,552 for the year ending December 31, 2024.

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Notes to Financial Statements

December 31, 2024

NOTE 2 – LIQUIDITY AND AVAILABLE RESOURCES

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

Current assets:

Cash and cash equivalents	\$	190,524
Operating investments		446,105
Prepaid and other current asset		35,300
Receivables		99,259
Inventory		6,237
Total	\$	<u>777,425</u>

The Organization's policy for liquidity management requires that it structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Cash in excess of daily requirements is maintained in a reserve bank account, or invested in certificates of deposit and other more liquid marketable securities. There are no current donor restricted amounts for the 2024 year, which would reduce the financial assets available for general expenditure.

NOTE 3 – INVESTMENTS

As of December 31, 2024, the Organization held the following types of investments, carried at their estimated fair values (Level 1, 2 or 3 inputs):

	Fair Value Measurements at Report Date Using				Investments Measured at NAV
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets					
Operating investments					
Equities	\$ 47,013	\$ 47,013	\$ -	\$ -	\$ -
ETF	59,232	59,232	-	-	-
Real estate funds	9,210	9,210	-	-	-
Total	<u>115,455</u>	<u>115,455</u>	<u>-</u>	<u>-</u>	<u>-</u>
Certificates of deposit*	330,650				
Total operating investments	<u>\$ 446,105</u>				

*Other operating investments not subject to fair value measurement.

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Notes to Financial Statements

December 31, 2024

NOTE 4 – RECEIVABLES

Receivables consisted of the following on December 31, 2024:

Receivables

Current portion	
Loans receivable	\$ 99,259

In April 2022, the Organization issued a note receivable to an officer in the amount of \$200,000 as an advance for living costs. The note bears a rate of interest of 4.00% and matures in December 2025. Payments of interest and principal are made in variable amounts on bi-weekly basis with an annual payment of approximately \$50,000 per year for the years 2023-24, with a final payment of approximately \$102,410 in 2025. During 2024, \$50,927 of principal payments were made to result in a total loan receivable balance outstanding as of December 31, 2024, of \$99,259.

The schedule of future payments on the note receivable is estimated as follows:

Year	Principal	Interest	Total
2025	\$ 99,259	\$ 3,151	\$ 102,410

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2024, consisted of the following:

Property and equipment being depreciated:	
Buildings	\$ 247,000
Furniture and fixtures	46,458
Improvements	34,251
Machinery and equipment	17,157
Total property and equipment being depreciated	344,866
Accumulated depreciation	(120,746)
Property and equipment, net	\$ 224,120

The Organization recognized depreciation expense of \$3,992 during the year ending December 31, 2024.

NOTE 6 – DEFERRED COMPENSATION LIABILITY

During 2022, the Organization's board of directors committed by official vote to set aside \$200,000 to be paid to the executive director over a 4-year period, beginning in 2023, as part of a nonqualified deferred compensation plan. This amount is intended as additional compensation to provide a source of retirement benefits. A schedule of future repayments of the amounts due is as follows:

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Notes to Financial Statements

December 31, 2024

NOTE 6 – DEFERRED COMPENSATION LIABILITY (continued)

<u>Year</u>	<u>Amount</u>
2025	\$ 50,000
2026	50,000
	<u>\$ 100,000</u>

As of December 31, 2024, the total liability for deferred compensation payable was \$100,000.

NOTE 7 – NET ASSETS

The Organization did not have any net assets with donor restrictions, nor any board-designated net assets, as of December 31, 2024.

NOTE 8 – RESTATEMENT

Beginning net assets have been restated by \$16,901. The reconciliation of changes to beginning net assets and their effect on other account balances is shown below:

Restatement to beginning net assets:

Beginning cash	\$ (9,000)
Beginning property and equipment, net	26,901
Beginning loan receivable	<u>(1,000)</u>
Total	<u>\$ 16,901</u>

NOTE 9 – FOREIGN OPERATIONS

In connection with its ministry abroad, the Organization maintains facilities in Kyiv, Ukraine, and Armenia. As of December 31, 2024, property and equipment in these countries, net of accumulated depreciation, totaled \$224,120. Account balances relating to foreign operations are reflected in the financial statements in US dollars.

NOTE 10 – SUBSEQUENT EVENTS

Events after December 31, 2024, have been evaluated through September 20, 2025, the date at which the Organization's financial statements were available to be issued.

The war in Ukraine began in February 2022, and continues to influence our ministry there. Donations for Ukraine Relief declined since that time but remained steady during 2024. The war continues unabated, and Mercy Projects continues to conduct teen discipleship, youth camps, and family sponsorship ministries. In

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Notes to Financial Statements

December 31, 2024

NOTE 10 – SUBSEQUENT EVENTS (continued)

addition to those ministries, all conducted in the country by our staff, we organize and deliver Humanitarian Aid to war zones in the country.

A significant expansion was our purchase of a building in Kyiv to provide daycare and education to refugee families. Our staff operates this Learning Center, and the ministry in Ukraine is now:

1. The Learning Center
2. Teen Discipleship ministry
3. Family Sponsorships
4. Relief Aid for war affected families.

In Armenia, the Sustainable Farm Project in Stepanavan expanded to include three cabins for tourists and teams, a new dining hall, and twenty-seven dairy cows. We envision the farm becoming a training center for Christian believers from this Caucasus region.