

MERCY CHEFS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

With Comparative Totals for the Year Ended December 31, 2020



MERCY CHEFS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mercy Chefs, Inc.
Portsmouth, Virginia

Opinion

We have audited the accompanying financial statements of Mercy Chefs, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of Mercy Chefs, Inc. as of December 31, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mercy Chefs, Inc. and to meet our other ethical standards in accordance with the relevant ethical requirements relating to our audit. We believe 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 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.

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 Mercy Chefs, Inc.'s ability to continue as a going concern within one year after the date that financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mercy Chefs, Inc.'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 Mercy Chefs, Inc.'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.

Report on Summarized Comparative Information

We previously audited Mercy Chefs, Inc.'s 2020 financial statements, and in our conclusion dated June 10, 2021, stated that based on our audit, we were not aware of any material modifications that should be made to the 2020 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2020, for it to be consistent with the audited financial statements from which it has been derived.

Barnes, Brock, Cornwell & Painter PLLC

Chesapeake, Virginia
November 2, 2022

MERCY CHEFS, INC.

STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2021
 With Comparative Totals for December 31, 2020

ASSETS		
	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,762,947	\$ 955,219
Investments	987	6,012
Receivables:		
Accounts receivable - net	10,025	5,851
Grants receivable	101,000	-
Prepaid expenses	42,171	49,946
Total current assets	<u>\$ 2,917,130</u>	<u>\$ 1,017,028</u>
PROPERTY AND EQUIPMENT:		
Building and improvements	\$ 835,307	\$ 594,920
Vehicles	1,425,501	848,217
Furniture and equipment	538,815	168,618
Software	87,088	87,088
Land	231,596	183,596
Total	<u>\$ 3,118,307</u>	<u>\$ 1,882,439</u>
Less accumulated depreciation	800,217	555,911
Net property and equipment	<u>\$ 2,318,090</u>	<u>\$ 1,326,528</u>
OTHER ASSETS:		
Security Deposit	<u>\$ 1,650</u>	<u>\$ -</u>
Total assets	<u><u>\$ 5,236,870</u></u>	<u><u>\$ 2,343,556</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term liabilities	\$ 65,486	\$ 20,145
Line of credit	261,881	-
Accounts payable	97,963	140,465
Accrued expenses	161,668	70,362
Payroll liabilities	50,106	36,208
Deferred revenue	50,000	-
Total current liabilities	<u>\$ 687,104</u>	<u>\$ 267,180</u>
LONG-TERM LIABILITIES:		
Notes payable	\$ 695,315	\$ 322,862
Less current portion above	65,486	20,145
Long-term liabilities - net	<u>\$ 629,829</u>	<u>\$ 302,717</u>
Total liabilities	<u>\$ 1,316,933</u>	<u>\$ 569,897</u>
NET ASSETS:		
Without donor restrictions	\$ 3,869,937	\$ 1,753,659
With donor restrictions	50,000	20,000
Total net assets	<u>\$ 3,919,937</u>	<u>\$ 1,773,659</u>
Total liabilities and net assets	<u><u>\$ 5,236,870</u></u>	<u><u>\$ 2,343,556</u></u>

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

MERCY CHEFS, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
With Comparative Totals for the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
OPERATING REVENUE AND SUPPORT:				
Contributions	\$ 7,812,934	\$ 314,287	\$ 8,127,221	\$ 6,197,178
Grants	-	826,299	826,299	201,353
In-kind Contributions	237,234	1,157,479	1,394,713	22,981
Net assets released from restrictions	2,268,065	(2,268,065)	-	-
 Total operating revenue and support	 <u>\$ 10,318,233</u>	 <u>\$ 30,000</u>	 <u>\$10,348,233</u>	 <u>\$ 6,421,512</u>
OPERATING EXPENSES:				
Program services	\$ 7,421,269	\$ -	\$ 7,421,269	\$ 5,091,996
Management and general	301,002	-	301,002	264,772
Fundraising	482,505	-	482,505	378,922
 Total operating expenses	 <u>\$ 8,204,776</u>	 <u>\$ -</u>	 <u>\$ 8,204,776</u>	 <u>\$ 5,735,690</u>
 CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	 <u>\$ 2,113,457</u>	 <u>\$ 30,000</u>	 <u>\$ 2,143,457</u>	 <u>\$ 685,822</u>
NON-OPERATING ACTIVITIES:				
Unrealized gain (loss) on investments, net	\$ 185	\$ -	\$ 185	\$ (589)
Realized gain on investments	2,558	-	2,558	547
Investment expenses	-	-	-	(80)
Investment income	78	-	78	180
 CHANGES IN NET ASSETS FROM NON-OPERATING ACTIVITIES	 <u>\$ 2,821</u>	 <u>\$ -</u>	 <u>\$ 2,821</u>	 <u>\$ 58</u>
 CHANGES IN NET ASSETS	 <u>\$ 2,116,278</u>	 <u>\$ 30,000</u>	 <u>\$ 2,146,278</u>	 <u>\$ 685,880</u>
 NET ASSETS, BEGINNING OF YEAR	 <u>1,753,659</u>	 <u>20,000</u>	 <u>1,773,659</u>	 <u>1,087,779</u>
 NET ASSETS, END OF YEAR	 <u>\$ 3,869,937</u>	 <u>\$ 50,000</u>	 <u>\$ 3,919,937</u>	 <u>\$ 1,773,659</u>

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

MERCY CHEFS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
With Comparative Totals for the Year Ended December 31, 2020**

	SUPPORTING ACTIVITIES				2021 Total	2020 Total
	Program Services	Management and General	Fund Raising	Supporting Subtotal		
Salaries and wages	\$ 1,735,546	\$ 166,036	\$ 83,018	\$ 249,054	\$ 1,984,600	\$ 108,766
Donated services: in-kind	1,394,713	-	-	-	1,394,713	15,027
Payroll taxes	127,481	14,999	7,499	22,498	149,979	69,923
Total salaries and related expenses	\$ 3,257,740	\$ 181,035	\$ 90,517	\$ 271,552	\$ 3,529,292	\$ 1,589,324
Advertising	255,548	-	-	-	255,548	239,213
Bad debt	89,655	-	-	-	89,655	-
Bank charges	67,325	9,181	-	9,181	76,506	62,442
Computer expenses	983	52	-	52	1,035	6,785
Contract services	-	-	-	-	-	16,734
Contributions and gifts	8,941	-	-	-	8,941	49,578
Deployment expenses	1,323,626	-	-	-	1,323,626	1,602,915
Depreciation	224,043	8,168	12,096	20,264	244,307	161,882
Dues and subscriptions	12,499	521	-	521	13,020	60,891
Expense reimbursements	-	-	-	-	-	42,700
Equipment rent and storage	21,559	7,186	-	7,186	28,745	74,640
Food supplies and expenses	973,103	-	-	-	973,103	893,860
Fundraising expense	-	-	366,376	366,376	366,376	278,049
Insurance	70,317	12,684	-	12,684	83,001	58,559
Interest expense	-	20,956	-	20,956	20,956	14,146
Meals and entertainment	81,919	9,102	-	9,102	91,021	41,016
Office expense	12,459	3,115	-	3,115	15,574	32,718
Other employee benefits	150,164	17,560	8,780	26,340	176,504	77,796
Postage and printing	25,893	947	4,736	5,683	31,576	25,679
Professional fees	49,791	5,532	-	5,532	55,323	31,976
Rent	13,643	-	-	-	13,643	-
Repairs and maintenance	56,312	21,899	-	21,899	78,211	53,504
Taxes and licenses	26,789	1,116	-	1,116	27,905	16,708
Telephone	13,443	560	-	560	14,003	315
Travel	640,646	-	-	-	640,646	262,902
Utilities	44,871	1,388	-	1,388	46,259	41,358
Operating expenses	\$ 4,163,529	\$ 119,967	\$ 391,988	\$ 511,955	\$ 4,675,484	\$ 4,146,366
Total expenses	\$ 7,421,269	\$ 301,002	\$ 482,505	\$ 783,507	\$ 8,204,776	\$ 5,735,690

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

MERCY CHEFS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,146,278	\$ 685,880
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	244,307	161,882
Realized and unrealized (gain) loss on investments, net of fees	(2,743)	42
(Increase) decrease in assets:		
Accounts receivable - net	(4,174)	(4,196)
Grants receivable	(101,000)	-
Deposits	(1,650)	-
Prepaid expenses	7,775	(12,371)
Increase (decrease) in liabilities:		
Accounts payable	(42,502)	123,529
Accrued expenses	91,306	(63,349)
Payroll liabilities	13,898	(5,408)
Deferred revenue	50,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,401,495</u>	<u>\$ 886,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	\$(1,235,869)	\$ (297,687)
Purchase of investments	(66,336)	(10,870)
Sales of investments	74,104	11,377
NET CASH USED BY INVESTING ACTIVITIES	<u>\$(1,228,101)</u>	<u>\$ (297,180)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable-net of payments	<u>\$ 634,334</u>	<u>\$ (20,761)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ 1,807,728	\$ 568,068
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>955,219</u>	<u>387,151</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,762,947</u>	<u>\$ 955,219</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION		
Fair value of donated services	<u>\$ 141,067</u>	<u>\$ 22,981</u>
Fair value of donated supplies	<u>\$ 1,253,646</u>	<u>\$ -</u>

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

MERCY CHEFS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

With Comparative Totals for the Year Ended December 31, 2020

NOTE 1 - ORGANIZATION:

Mercy Chefs, Inc. (the "Organization") is a tax exempt not-for-profit corporation organized in 2006. The purpose of the Organization is to provide professionally prepared, restaurant-quality meals to victims, volunteers and first-responders in natural disasters and national emergencies and to partner with like-minded organizations to further their mission by providing food service in underserved communities across the country.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) 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. The accrual basis of accounting recognizes income when earned and expenses when incurred.

(b) Basis of presentation

These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-impaired restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups with donor restrictions and without donor restrictions.

These two groups are defined 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 by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The Organization follows the provisions of the Financial Accounting Standards Board *Accounting Standards Codification (FASB ASC)*.

(c) Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

(d) Accounts receivable and allowance for doubtful accounts

Accounts receivable is stated at amounts less an allowance for doubtful accounts. Receivables outstanding for more than 30 days are considered past due. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance for doubtful accounts was \$89,655 and \$0 for the years ended December 31, 2021 and 2020, respectively.

MERCY CHEFS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(e) Measure of operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

(f) Investments

The Company records investments at fair market value based on quoted prices in active markets (all Level 1 and Level 2 measurements) and are classified by management as available-for-sale. Accordingly, realized gains and losses, if any, are determined on the basis of the actual cost of the securities sold. Unrealized gains and losses are presented as a single amount in the statement of income.

(g) Property and equipment

Property and equipment are recorded at cost, and donated items are stated at fair market value at the date of gift. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. The gain or loss on items traded is applied to the asset account, and that on items otherwise disposed of is reflected in the statements of activities.

Depreciation has been provided for using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building and improvements	39 - 40 years
Furniture and equipment	5 - 10 years
Software	3 years
Vehicles	5 - 10 years

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$244,307 and \$161,882, respectively.

(h) Concentration of credit risk

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, for each deposit insurance ownership category. For the years ended December 31, 2021 and 2020, the Organization had demand deposits on hand in financial institutions that exceeded depositor's insurance provided by the applicable guaranty agency by \$2,382,583 and \$684,412, respectively.

Other cash and cash equivalents were held in an account with a brokerage firm to reduce the Organization's credit risk. While not an agency of the United States government like the FDIC, the Securities Investor Protection Corporation (SIPC) insures accounts (not with underlying investments) up to a maximum amount of \$500,000. At December 31, 2021 and 2020, the Organization did not have cash and cash equivalents with the brokerage firm that exceeded insurance provided by the SIPC.

MERCY CHEFS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(i) Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and as a public charity under 509(a) of the code and qualifies for deductible contributions in Section 170(b)(A)(vi).

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021 and 2020.

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2021, 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

(j) Functional allocation of expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense:</u>	<u>Method of Allocation:</u>
Depreciation	Reasonable basis consistently applied
Other employee benefits	Time and effort
Other supplies	Reasonable basis consistently applied
Payroll taxes	Time and effort
Professional fees	Reasonable basis consistently applied
Salaries and wages	Time and effort

(k) 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 of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

MERCY CHEFS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(l) Advertising costs

The Organization expenses the cost of advertising when incurred. For the years ended December 31, 2021 and 2020, advertising costs were \$255,548 and \$239,213, respectively.

NOTE 3 - ACCOUNTS RECEIVABLE:

Accounts receivable at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Receivables in less than one year	\$ 99,680	\$ 5,851
Less: allowance for uncollectible	(89,655)	-
	<u>\$ 10,025</u>	<u>\$ 5,851</u>

NOTE 4 - FAIR VALUE MEASUREMENT:

FASB Statement No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 use of observable inputs and minimize the use of unobservable inputs.

MERCY CHEFS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

With Comparative Totals for the Year Ended December 31, 2020

NOTE 4 - FAIR VALUE MEASUREMENT (Continued):

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Common Stocks: Valued at closing price reported on the active market on which the individual securities are traded.

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 market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021 and 2020.

Assets at Fair Value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ -	\$ -	\$ -	\$ -
Common Stocks	-	987	-	987
Total	\$ -	\$ 987	\$ -	\$ 987

Assets at Fair Value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,442	\$ -	\$ -	\$ 1,442
Common Stocks	-	4,570	-	4,570
Total	\$ 1,442	\$ 4,570	\$ -	\$ 6,012

NOTE 5 - DONATED GOODS AND SERVICES:

The Organization records the value of donated goods and services when there is an objective basis available to measure their value. The Organization recognizes the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

The Organization received supplies donated by other organizations and food suppliers, with a value of \$1,253,646 that were used to respond to disaster relief for the year ended December 31, 2021.

Chefs have volunteered over 4,841 and 783 hours of service during the years ended December 31, 2021 and 2020, respectively. The value of these services are estimated to be \$141,067 and \$22,981 for the years ended December 31, 2021 and 2020, respectively.

See independent auditor's report. Notes continued on next page.

MERCY CHEFS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

NOTE 6 - NET ASSETS:

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Expenses from donor restricted funds:		
Food supplies and expenses	<u>\$ 2,268,065</u>	<u>\$ 952,034</u>

NOTE 7 - LIQUIDITY:

The table below presents financial assets available for general expenditures within one year at December 31, 2021:

Financial assets at year end:		
Cash and cash equivalents		\$ 2,762,947
Investments		987
Accounts receivable		10,025
Grants receivable		101,000
Total financial assets		<u>\$ 2,874,959</u>
Less amounts not available to be used for general expenditures in one year, due to:		
Donor restrictions		<u>50,000</u>
Financial assets available to meet general expenditures within one year		<u><u>\$ 2,824,959</u></u>

The Organization's goal is generally to maintain financial assets to meet six months of operating expenses with no additional funding from outside sources. The grants receivable are subject to collectability, but are expected to be collected within one year.

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 8 - LEASE:

In May 2021, the Organization committed to paying a 12-month lease entered into by a related party for a residence located in Antioch, TN, effective May 17, 2021. The rent is \$1,600 monthly and terminates May 16, 2022.

Total rental expense for the year ended December 31, 2021 amounted to \$13,643.

Future minimum lease payments under all leases are as follows:

<u>For the year ended December 31,</u>	
2022	<u><u>\$ 7,275</u></u>

See independent auditor's report. Notes continued on next page.

MERCY CHEFS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

With Comparative Totals for the Year Ended December 31, 2020

NOTE 9 - LINE OF CREDIT:

The Organization established a \$400,000 line of credit in August 2021. The outstanding balance at December 31, 2021 was \$261,881. The credit line has a maturity date of August 2022 and is secured by real estate. Monthly interest payments are due at Prime plus .5% with a floor of 4% per annum.

NOTE 10 - NOTES PAYABLE:

	2021	2020
Note payable to Townebank in the amount of \$358,365, payable in 179 remaining payments of \$2,909, including principal and interest at 4.64% per annum, effective January 16, 2019 with a maturity date of February 28, 2033. The loan is secured by real estate located at 711 Washington and 528 Columbia Streets in Portsmouth, VA.	\$ 302,713	\$ 322,862
Note payable to Townebank in the amount of \$238,000, payable in 120 payments of \$1,765, including principal and interest at 3.98% per annum, with a balloon payment due for the balance at November 4, 2031. The loan is secured by real estate located at 715 Washington Street in Portsmouth, VA.	237,024	-
Note payable to Ally in the amount of \$59,700 payable in 60 payments of \$1,181, including principal and interest at 6.84% per annum. The note is secured by a vehicle.	58,860	-
Note payable to Ascentium in the amount of \$98,500 payable in 48 payments of \$2,398, including principal and interest at 7.88% per annum. The note is secured by a vehicle.	96,718	-
Total Notes Payable	\$ 695,315	\$ 322,862
Less - current portion	65,486	20,145
Notes payable, net of current portion	\$ 629,829	\$ 302,717

Current maturities of long-term debt are as follows:

For the year ended <u>December 31,</u>	
2022	\$ 65,486
2023	69,517
2024	73,782
2025	76,001
2026	51,832
Thereafter	358,697
	\$ 695,315

NOTE 11 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 2, 2022, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through November 2, 2022 that would require adjustment to, or disclosure in, the financial statements.

See independent auditor's report. Notes continued on next page.