



MERCY'S GATE

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MERCY'S GATE

FINANCIAL STATEMENTS

WITH

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEAR ENDED DECEMBER 31, 2020

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Mercy's Gate
Colorado Springs, Colorado

We have reviewed the accompanying financial statements of Mercy's Gate (Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles general accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

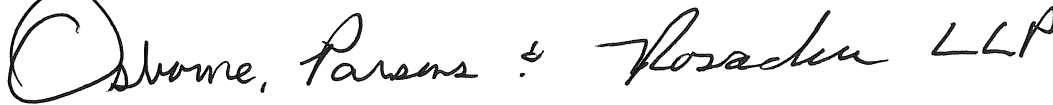
Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Summarized Comparative Information

We previously reviewed the Organization's 2019 financial statements and, in our conclusion dated May 11, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2019 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 material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2019, for it to be consistent with the reviewed financial statements from which it has been derived.

A handwritten signature in black ink that reads "Osborn, Parsons & Rosacker LLP". The signature is written in a cursive, flowing style.

Colorado Springs, Colorado
June 11, 2021

MERCY'S GATE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
With Comparative Totals for 2019

ASSETS

	2020	2019
Current Assets		
Cash	\$ 904,539	\$ 363,216
Contributions Receivable	22,000	27,341
Inventory	15,684	2,698
Prepaid Expenses	8,124	-
Total Current Assets	950,347	393,255
Non-current Assets		
Lease Deposits	4,000	4,000
Fixed Assets, Net	74,353	58,452
Total Non-current Assets	78,353	62,452
 Total Assets	 \$ 1,028,700	 \$ 455,707

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 2,411	\$ 1,591
Accrued Expenses	15,535	11,260
Total Current Liabilities	17,946	12,851
 Net Assets		
Without Donor Restrictions	824,588	367,752
With Donor Restrictions	186,166	75,104
Total Net Assets	1,010,754	442,856
 Total Liabilities and Net Assets	 \$ 1,028,700	 \$ 455,707

See Independent Accountants' Review Report and Notes to the Financial Statements

MERCY'S GATE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
With Comparative Totals for 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>	
			<u>2020</u>	<u>2019</u>
Revenue and Support				
Contributions and Grants	\$ 920,502	\$ 267,005	\$ 1,187,507	\$ 581,741
In-kind Contributions	657,627	-	657,627	979,020
Interest Income	607	-	607	390
Other Income	28,224	-	28,224	3,545
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	128,602	(128,602)	-	-
Satisfaction of Time Restrictions	27,341	(27,341)	-	-
Total Revenue and Support	<u>1,762,903</u>	<u>111,062</u>	<u>1,873,965</u>	<u>1,564,696</u>
Expense				
Program	1,061,969	-	1,061,969	1,299,757
Support				
General and Administrative	139,554	-	139,554	133,321
Fundraising	104,544	-	104,544	86,092
Total Support	<u>244,098</u>	<u>-</u>	<u>244,098</u>	<u>219,413</u>
Total Expenses	<u>1,306,067</u>	<u>-</u>	<u>1,306,067</u>	<u>1,519,170</u>
Change in Net Assets	456,836	111,062	567,898	45,526
Beginning Net Assets	<u>367,752</u>	<u>75,104</u>	<u>442,856</u>	<u>397,330</u>
Ending Net Assets	<u>\$ 824,588</u>	<u>\$ 186,166</u>	<u>\$ 1,010,754</u>	<u>\$ 442,856</u>

See Independent Accountants' Review Report and Notes to the Financial Statements

MERCY'S GATE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
With Comparative Totals for 2019

	<u>Support</u>			<u>Total</u>	
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2020</u>	<u>2019</u>
Salaries	\$ 137,424	\$ 71,627	\$ 68,573	\$ 277,624	\$ 197,737
Payroll Taxes and Benefits	20,372	10,618	10,166	41,156	30,697
	<u>157,796</u>	<u>82,245</u>	<u>78,739</u>	<u>318,780</u>	<u>228,434</u>
Housing Assistance	84,287	-	-	84,287	64,778
Medical Assistance	16,710	-	-	16,710	40,148
Other Program Assistance	22,077	-	-	22,077	4,609
Pantry Assistance	25,203	-	-	25,203	22,788
Seasonal Assistance	2,510	-	-	2,510	2,563
Transportation Assistance	6,088	-	-	6,088	9,521
Accounting Services	-	6,831	-	6,831	17,657
Bank Charges	-	7,988	-	7,988	2,229
Facility Repairs and Maintenance	5,011	4,509	501	10,021	13,348
Occupancy	38,250	10,200	2,550	51,000	50,100
Facility Utilities	4,062	1,083	271	5,416	6,675
Insurance	3,936	1,050	262	5,248	6,221
Meals	1,931	517	272	2,720	3,462
Memberships	1,180	315	78	1,573	1,539
Office Expense	7,683	6,914	768	15,365	21,171
Postage and Shipping	407	181	317	905	1,648
Printing & Copying	551	991	9,474	11,016	5,377
Professional Development	156	42	10	208	946
Professional Services	-	5,394	6,331	11,725	9,351
Staff and Volunteer Appreciation	1,761	-	-	1,761	432
Technology	9,996	6,936	3,467	20,399	13,524
Telephone and Internet	2,837	1,182	710	4,729	5,859
Depreciation	11,910	3,176	794	15,880	14,335
	<u>246,546</u>	<u>57,309</u>	<u>25,805</u>	<u>329,660</u>	<u>318,281</u>
Total Before In-kind Expenses	<u>404,342</u>	<u>139,554</u>	<u>104,544</u>	<u>648,440</u>	<u>546,715</u>
In-kind					
Clothing Vouchers	10,365	-	-	10,365	15,505
Utilities (COPE)	42,242	-	-	42,242	209,354
Energy Outreach CO	56,583	-	-	56,583	-
Food Pantry	271,375	-	-	271,375	268,515
Food Pantry Space	14,400	-	-	14,400	14,400
Pastoral Nurse	9,871	-	-	9,871	44,164
Volunteer Income Tax Assistance	227,500	-	-	227,500	353,250
Other Goods and Services	4,776	-	-	4,776	32,676
Seasonal Programs	20,515	-	-	20,515	-
Holiday Baskets	-	-	-	-	34,591
Total In-kind	<u>657,627</u>	<u>-</u>	<u>-</u>	<u>657,627</u>	<u>972,455</u>
Total - 2020	<u>\$ 1,061,969</u>	<u>\$ 139,554</u>	<u>\$ 104,544</u>	<u>\$ 1,306,067</u>	
Percent of Total Expense - 2020	<u>81.31%</u>	<u>10.69%</u>	<u>8.00%</u>	<u>100.00%</u>	
Total - 2019	<u>\$ 1,299,757</u>	<u>\$ 133,321</u>	<u>\$ 86,092</u>		<u>\$ 1,519,170</u>
Percent of Total Expense - 2019	<u>85.56%</u>	<u>8.78%</u>	<u>5.66%</u>		<u>100.00%</u>

See Independent Accountants' Review Report and Notes to the Financial Statements

MERCY'S GATE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
With Comparative Totals for 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ 567,898	\$ 45,526
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities		
Depreciation Expense	15,880	14,335
Donated Fixed Assets	(26,789)	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	-	975
Contributions Receivable	5,341	3,159
Inventory	(12,986)	(1,897)
Prepaid Expenses	(8,124)	-
Accounts Payable	820	(2,443)
Accrued Expenses	4,275	3,022
Net Cash Provided by Operations	546,315	62,677
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(4,992)	(11,286)
Net Cash Used by Investing Activities	(4,992)	(11,286)
Change in Cash	541,323	51,391
Beginning Cash	363,216	311,825
Ending Cash	\$ 904,539	\$ 363,216

Supplemental Disclosure of Cash Flow Information- Non Cash Activity

The Organization received \$26,789 in donated equipment, which was capitalized on the statement of financial position.

MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Mercy's Gate (Organization), formerly Northern Churches Care, a Colorado nonprofit corporation, is a faith-based organization supported by churches and charitable organizations to provide tangible and intangible resources (physical, financial, and spiritual) to enable those in need of short-term assistance to become physically and financially self-sufficient. Resource assistance provided by the Organization includes, but is not limited to, food, personal hygiene items, household products, and financial assistance through the means of vouchers or organization check disbursements on behalf of the individual in need.

Income Taxes - The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code from tax on income derived from donations, income generated by activities carried on in furtherance of its exempt purpose and certain other specified income and, in addition, is qualified to receive tax deductible contributions. The Organization has been determined a publicly supported organization and not to be a private foundation.

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.

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.

Contributions Receivable - Contributions receivable are reported at the amount the Organization expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and establishes an allowance for doubtful accounts, as necessary.

Inventory - Inventory consists of donated gift cards recorded at cash value.

Fixed Assets and Depreciation - The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with restrictions to net assets without restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to ten years.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-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 that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Revenue and Revenue Recognition – Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions – Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

Donated Services and Facilities - The value of donated services is recorded if the services received create or enhance a non-financial asset or require specialized skills that would typically need to be purchased if not provided by donation. Donated services meeting the above criteria, as well as donated facilities, and other items are reflected as contributions in-kind in the accompanying statements at the estimated fair values at the date of receipt.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 1 – AVAILABILITY AND LIQUIDITY

The Organization has \$926,539 of financial assets available, within one year of the balance sheet date, consisting of cash, in the amount of \$904,539, and contributions receivable, in the amount of \$22,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are subject to time restrictions but will be collected within one year. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expenses, which are, on average, approximately \$270,000.

MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization has not adopted a deposit policy for custodial credit risk. At December 31, 2020, \$658,124 of the Organization's deposits were exposed to credit risk.

At December 31, 2020, the Organization's cash deposits at a single institution had bank balances of \$908,124, and carrying balances of \$893,320.

NOTE 3 – COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Organization's financial instruments approximates their fair values.

NOTE 5 – ACCOUNTS, CONTRIBUTIONS AND GRANTS RECEIVABLE

All accounts, contributions and grants receivable are due within one year. Management expects full collection of all outstanding receivables; therefore, no allowance for doubtful accounts has been established.

NOTE 6 – INVENTORY

Inventory consists of:

Gift Cards	\$ <u>15,684</u>
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NOTE 7 – FIXED ASSETS

Fixed assets consist of:

		<u>Estimated Useful Lives</u>
Leasehold Improvements	\$ 87,824	10 Years
Fixtures and Equipment	41,737	3-5 Years
Donated Vehicles	6,564	5 Years
Less Accumulated Depreciation	(61,772)	
	\$ <u>74,353</u>	

Depreciation expense for 2020 was \$15,880.

MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction activity is:

Description	Beginning Balance	Received	Satisfied	Ending Balance
Capital Campaign	\$ 1,650	\$ -	\$ -	\$ 1,650
Direct Services	-	83,625	(49,323)	34,302
Utilities Assistance	341	-	(341)	-
Rent Assistance	31,238	82,040	(41,730)	71,548
Pantry	2,053	15,220	(14,020)	3,253
Medical Assistance	8,470	49,623	(20,931)	37,162
Thanksgiving Program	847	12,952	(1,076)	12,723
School Supplies	3,164	1,545	(1,181)	3,528
Time Restricted	27,341	22,000	(27,341)	22,000
	<u>\$ 75,104</u>	<u>\$ 267,005</u>	<u>\$ (155,943)</u>	<u>\$ 186,166</u>

NOTE 9 – CONTRIBUTED SERVICES

During 2020, the Organization recorded the following contributed services:

Description	Amount
Pastoral Nurse	\$ 9,871
Volunteer Income Tax Assistance	227,500
	<u>\$ 237,371</u>

The Organization utilized rent-free space for some operations. The estimated fair value of the annual rent for the donated space is \$14,400. In addition, volunteers, whose time did not qualify for recording in these financial statements, donated approximately 6,200 hours of time with an estimated value of \$169,000.

NOTE 10 – OPERATING LEASES

The Organization leases office space for \$4,250 per month through September 2021. Rent expense for the year ended December 31, 2020 totaled \$51,000.

Future minimum payments for the office space lease are:

Year	Amount
2021	<u>\$ 38,250</u>

NOTE 11 – RELATED PARTIES

The Organization's Board members contributed \$3,846 to the Organization during 2020.

MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – INFORMATION RETURNS

The Organization's information returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2020, the information returns for three prior years are considered open for Internal Revenue Service examination.

NOTE 13 – ALLOCATION OF FUNCTIONAL EXPENSE

The financial statements report certain categories of expense that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, occupancy, office expenses, and depreciation on the basis of usage of time, physical space, or materials, as appropriate.

NOTE 14 – RISKS AND UNCERTAINTIES

Coronavirus (COVID-19) Pandemic

Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern. The impact of COVID-19 on future performance and therefore on the measurement of some assets and liabilities or on liquidity might be significant and might therefore require disclosure in the financial statements, but management has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 11, 2021, the date on which the financial statements were available to be issued.