



MERCY'S GATE

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MERCY'S GATE

FINANCIAL STATEMENTS

WITH

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEAR ENDED DECEMBER 31, 2021

ERICKSON, BROWN & KLOSTER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
Independent Accountants' Review Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Mercy's Gate
Colorado Springs, Colorado

We have reviewed the accompanying financial statements of Mercy's Gate (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. 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 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.

We are required to be independent of Mercy's Gate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 Mercy's Gate's 2020 financial statements and, in our conclusion dated June 11, 2021, stated that based on our review, 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 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 reviewed financial statements from which it has been derived.

Erickson, Brown & Kloster LLC

Colorado Springs, Colorado

May 11, 2022

MERCY'S GATE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
With Comparative Totals for 2020

ASSETS

	2021	2020
Current Assets		
Cash and Cash Equivalents	\$ 1,168,894	\$ 904,539
Contributions Receivable	42,000	22,000
Inventory	16,189	15,684
Prepaid Expenses	4,037	8,124
Total Current Assets	1,231,120	950,347
Non-current Assets		
Lease Deposits	4,000	4,000
Fixed Assets, Net	65,626	74,353
Total Non-current Assets	69,626	78,353
 Total Assets	 \$ 1,300,746	 \$ 1,028,700

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 7,647	\$ 2,411
Accrued Expenses	17,519	15,535
Total Current Liabilities	25,166	17,946
 Net Assets		
Without Donor Restrictions	1,115,996	824,588
With Donor Restrictions	159,584	186,166
Total Net Assets	1,275,580	1,010,754
 Total Liabilities and Net Assets	 \$ 1,300,746	 \$ 1,028,700

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

MERCY'S GATE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
With Comparative Totals for 2020

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2021</u>	<u>2020</u>
Revenue and Support				
Contributions and Grants	\$ 1,090,021	\$ 129,211	\$ 1,219,232	\$ 1,187,507
In-kind Contributions	747,491	-	747,491	657,627
Interest Income	647	-	647	607
Other Income	1,655	-	1,655	28,224
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	133,793	(133,793)	-	-
Satisfaction of Time Restrictions	22,000	(22,000)	-	-
Total Revenue and Support	<u>1,995,607</u>	<u>(26,582)</u>	<u>1,969,025</u>	<u>1,873,965</u>
Expense				
Program	1,470,728	-	1,470,728	1,061,969
Support				
General and Administrative	126,374	-	126,374	139,554
Fundraising	107,097	-	107,097	104,544
Total Support	<u>233,471</u>	<u>-</u>	<u>233,471</u>	<u>244,098</u>
Total Expenses	<u>1,704,199</u>	<u>-</u>	<u>1,704,199</u>	<u>1,306,067</u>
Change in Net Assets	291,408	(26,582)	264,826	567,898
Beginning Net Assets	<u>824,588</u>	<u>186,166</u>	<u>1,010,754</u>	<u>442,856</u>
Ending Net Assets	<u>\$ 1,115,996</u>	<u>\$ 159,584</u>	<u>\$ 1,275,580</u>	<u>\$ 1,010,754</u>

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

MERCY'S GATE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
With Comparative Totals for 2020

	<u>Support</u>			<u>Total</u>	
	<u>Program</u>	<u>General and</u>		<u>2021</u>	<u>2020</u>
		<u>Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 140,139	\$ 65,324	\$ 73,699	\$ 279,162	\$ 277,624
Payroll Taxes and Benefits	19,341	9,015	10,171	38,527	41,156
	<u>159,480</u>	<u>74,339</u>	<u>83,870</u>	<u>317,689</u>	<u>318,780</u>
Housing Assistance	327,894	-	-	327,894	84,287
Other Program Assistance	51,501	-	-	51,501	22,077
Occupancy	38,250	10,200	2,550	51,000	51,000
Medical Assistance	35,418	-	-	35,418	16,710
Depreciation	14,621	3,899	975	19,495	15,880
Technology	7,339	3,670	3,669	14,678	20,399
Office Expense	6,591	4,613	1,977	13,181	15,365
Pantry Assistance	12,141	-	-	12,141	25,203
Transportation Assistance	12,102	-	-	12,102	6,088
Professional Development	8,113	2,163	541	10,817	208
Staff and Volunteer Appreciation	7,335	917	917	9,169	1,761
Security Expense	8,640	-	-	8,640	-
Contract Labor	-	6,403	2,134	8,537	-
Insurance	6,311	1,683	421	8,415	5,248
Accounting Services	-	8,287	-	8,287	6,831
Facility Utilities	6,068	1,618	404	8,090	5,416
Printing & Copying	1,598	-	6,391	7,989	11,016
Facility Repairs and Maintenance	3,989	3,590	398	7,977	10,021
Bank Charges	4,228	1,127	282	5,637	7,988
Telephone and Internet	3,365	1,402	842	5,609	4,729
Seasonal Assistance	4,578	-	-	4,578	2,510
Memberships	2,349	626	157	3,132	1,573
Postage and Shipping	975	433	759	2,167	905
Meals	297	595	595	1,487	2,720
Professional Services	54	809	215	1,078	11,725
	<u>563,757</u>	<u>52,035</u>	<u>23,227</u>	<u>639,019</u>	<u>329,660</u>
Total Before In-kind Expenses	<u>723,237</u>	<u>126,374</u>	<u>107,097</u>	<u>956,708</u>	<u>648,440</u>
In-kind					
Food Pantry	233,160	-	-	233,160	271,375
Volunteer Income Tax Assistance	192,900	-	-	192,900	227,500
Utilities (COPE)	154,257	-	-	154,257	42,242
Energy Outreach CO	88,705	-	-	88,705	56,583
Seasonal Programs	43,488	-	-	43,488	20,515
Food Pantry Space	14,400	-	-	14,400	14,400
Clothing Vouchers	10,805	-	-	10,805	10,365
Other Goods and Services	9,776	-	-	9,776	4,776
Pastoral Nurse	-	-	-	-	9,871
Total In-kind	<u>747,491</u>	<u>-</u>	<u>-</u>	<u>747,491</u>	<u>657,627</u>
Total - 2021	<u>\$ 1,470,728</u>	<u>\$ 126,374</u>	<u>\$ 107,097</u>	<u>\$ 1,704,199</u>	
Percent of Total Expense - 2021	<u>86.30%</u>	<u>7.42%</u>	<u>6.28%</u>	<u>100.00%</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>

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

MERCY'S GATE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
With Comparative Totals for 2020

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ 264,826	\$ 567,898
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities		
Depreciation Expense	19,495	15,880
Donated Fixed Assets	-	(26,789)
Changes in Operating Assets and Liabilities		
Contributions Receivable	(20,000)	5,341
Inventory	(505)	(12,986)
Prepaid Expenses	4,087	(8,124)
Accounts Payable	5,236	820
Accrued Expenses	1,984	4,275
Net Cash Provided by Operations	275,123	546,315
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(10,768)	(4,992)
Net Cash Used by Investing Activities	(10,768)	(4,992)
Change in Cash and Cash Equivalents	264,355	541,323
Beginning Cash and Cash Equivalents	904,539	363,216
Ending Cash and Cash Equivalents	\$ 1,168,894	\$ 904,539

Supplemental Disclosure of Cash Flow Information- Non Cash Activity

During the year ended December 31, 2021 the Organization received \$14,584 in stock donations.

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.

MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

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.

NOTE 1 – AVAILABILITY AND LIQUIDITY

The Organization has \$1,210,894 of financial assets available, within one year of the balance sheet date, consisting of cash and cash equivalents in the amount of \$1,168,894, and contributions receivable in the amount of \$42,000. 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 \$400,000.

MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND CASH EQUIVALENTS

The balance in cash and cash equivalents consists of the following at December 31, 2021:

Demand Deposits	\$ 402,968
Insured Bank Deposits	<u>765,926</u>
	<u><u>\$ 1,168,894</u></u>

NOTE 3 – 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 adopted a deposit policy for custodial credit risk relating to bank deposits. At December 31, 2021, approximately \$87,000 of the Organization's deposits were exposed to credit risk.

At December 31, 2021, the Organization's cash deposits at a single institution had bank balances of approximately \$337,000, and carrying balances of approximately \$403,000.

NOTE 4 – 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, 2020, from which the summarized information was derived.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTE 6 – 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 7 – INVENTORY

Inventory consists of:

Gift Cards	<u><u>\$ 16,189</u></u>
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MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – FIXED ASSETS

Fixed assets consist of:

		<u>Estimated Useful Lives</u>
Leasehold Improvements	\$ 87,824	10 Years
Fixtures and Equipment	47,934	3-5 Years
Donated Vehicles	6,564	5 Years
Less Accumulated Depreciation	<u>(76,696)</u>	
	<u>\$ 65,626</u>	

Depreciation expense for 2021 was \$19,495.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction activity is:

<u>Description</u>	<u>Beginning Balance</u>	<u>Received</u>	<u>Satisfied</u>	<u>Ending Balance</u>
Capital Campaign	\$ 1,650	\$ -	\$ -	\$ 1,650
Direct Services	34,302	6,874	(41,176)	-
Utilities Assistance	-	2,500	(2,328)	172
Rent Assistance	71,548	37,700	(44,470)	64,778
Pantry	3,253	5,670	(8,923)	-
Medical Assistance	37,162	26,000	(31,518)	31,644
Thanksgiving Program	12,723	6,692	(3,452)	15,963
School Supplies	3,528	1,775	(1,926)	3,377
Time Restricted	22,000	42,000	(22,000)	42,000
	<u>\$ 186,166</u>	<u>\$ 129,211</u>	<u>\$ (155,793)</u>	<u>\$ 159,584</u>

NOTE 10 – CONTRIBUTED SERVICES

During 2021, the Organization recorded the following contributed services:

<u>Description</u>	<u>Amount</u>
Volunteer Income Tax Assistance	<u>\$ 192,900</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 7,000 hours of time with an estimated value of \$192,000.

MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – OPERATING LEASES

The Organization leases office space for \$4,250 per month through September 2023. Rent expense for the year ended December 31, 2021 totaled \$51,000.

Future minimum payments for the office space lease are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 51,000
2023	<u>38,250</u>
	<u>\$ 89,250</u>

NOTE 12 – RELATED PARTIES

During 2021, the Organization's board members contributed \$3,240 to the Organization, \$600 of which was from an unrelated organization of which a board member is president.

During 2021, the Organization entered into transactions with a company who's president is a board member of the Organization, totaling \$3,665.

NOTE 13 – 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, 2021, the information returns for three prior years are considered open for Internal Revenue Service examination.

NOTE 14 – ALLOCATION OF FUNCTIONAL EXPENSES

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 15 – 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.

MERCY'S GATE
NOTES TO FINANCIAL STATEMENTS

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the attached Independent Accountants' Review Report, the date on which the financial statements were available to be issued.