

Mercy Without Limits, Inc.

Combined Financial Statements
For the year ended December 31, 2016

Mercy Without Limits, Inc.

December 31, 2016

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Independent Auditor's Report

Board of Directors
Mercy Without Limits, Inc. & affiliate
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying combined financial statements of Mercy Without Limits, Inc. (a not-for-profit organization) and affiliates, which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities, combined statement of functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statement of Mercy Without Limits – Jordan, which statements reflect total assets and revenue constituting 0.4% and 0.3% of the combined total assets and combined total revenue, respectively, for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for Mercy Without Limits, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditor, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mercy Without Limits, Inc. as of December 31, 2016, and the combined changes in its net assets and its combined cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental combining statements on pages 11 and 12 are presented for the purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

CMA Group, LLC

Overland Park, Kansas
April 30, 2018

Mercy Without Limits, Inc.
Combined Statement of Financial Position
For the Year Ended December 31, 2016

ASSETS

Current Assets

Cash and Cash Equivalent (Note 2)	\$ 2,108,798
Prepayments	5,060
Security Deposit	679
Total Current Assets	<u>2,114,537</u>

Fixed Assets

Furniture and Fixtures	19,513
Machinery and Equipment	14,531
Other Fixed Assets	586
Accumulated Depreciation	(8,127)
Total Fixed Assets (Net)	<u>26,503</u>
Total Assets	<u>\$ 2,141,040</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ (39,405)
Accrued Payable	3,282
Total Liabilities	<u>(36,123)</u>

Net Assets

Unrestricted Net Assets	2,177,163
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,141,040</u>

Mercy Without Limits, Inc.
 Combined Statement of Activities
 For the Year Ended December 31, 2016

REVENUE

Contribution, Grants & Support	\$ 4,413,814
Other Income	289
	4,414,103

EXPENSES

Program

Education	1,313,661
Emergency response	34,378
FSL & ERO	238,786
Health	108,179
Institutional Support	46,730
Protection	1,144,805
WASH	7,600
Livelihood	318
Total Program Expenses	2,894,457

Management and General

Payroll expenses	119,841
Other administrative expenses	204,714
Total Management and General	324,555

Fund Raising

241,259

Total Expenses

3,460,271

Change in Net Assets

953,832

Net Assets at the Beginning of the Year

1,223,331

Net Assets at the End of the Year

\$ 2,177,163

Mercy Without Limits, Inc.
Combined Statement of Functional Expenses by Natural Classification
For the Year Ended December 31, 2016

Expense	Program Expenses								Total Program	Management & General	Fundraising	Total Expenses
	Education	Emergency Response	FSL & ERD	Health	Institutional Support	Protection	WASH	Livelihood				
Salary and Wages	\$ 479,260	\$ -	\$ -	\$ 36,180	\$ 22,030	\$ 298	\$ -	\$ 318	\$ 538,086	\$ 119,841	\$ -	\$ 657,927
Overtime	-	-	-	-	-	-	-	-	-	250	-	250
Conference & meeting	-	-	-	-	-	-	-	-	-	1,283	-	1,283
Office supplies	-	-	-	-	-	-	-	-	-	5,363	38	5,401
Postage & mailing	-	-	-	-	-	-	-	-	-	6,447	-	6,447
Printing & stationary	68,558	-	-	-	-	104	-	-	68,662	2,567	-	71,229
Profesional services	-	-	-	-	-	-	-	-	-	34,899	-	34,899
Telephone & internet	-	-	-	-	-	18	-	-	18	3,306	-	3,324
Travel & accommodation	21,835	-	-	-	-	-	-	-	21,835	10,814	32,600	65,249
Capacity building	508,542	-	-	-	-	-	-	-	508,542	-	-	508,542
Education	99,835	-	-	-	-	-	-	-	99,835	-	-	99,835
Events	-	-	-	-	-	-	-	-	-	-	73,832	73,832
Family sponsorship	-	12,874	509	-	-	-	-	-	13,383	-	-	13,383
Flint hill water crisis	-	-	-	-	-	-	2,600	-	2,600	-	-	2,600
Water well drilling	-	-	-	-	-	-	5,000	-	5,000	-	-	5,000
Food distribution	-	-	86,013	-	-	2,373	-	-	88,386	2,500	-	90,886
KC- Refugees	1,712	14,961	425	-	-	-	-	-	17,098	-	-	17,098
Legal & professional	-	-	-	-	-	-	-	-	-	34,107	-	34,107
License & permit	-	-	-	-	-	-	-	-	-	22,519	-	22,519
North Texas disaster	-	-	5,000	-	-	-	-	-	5,000	-	-	5,000
Orphan	-	-	11,365	-	-	1,120,233	-	-	1,131,598	3,200	-	1,134,798
Ramadan	-	5,625	13,840	-	-	21,586	-	-	41,051	-	-	41,051
Rent	8,655	-	-	-	-	-	-	-	8,655	36,182	3,826	48,663
Repair & maintenance	39,174	-	-	-	-	-	-	-	39,174	456	-	39,630
Medical treatments	-	-	-	9,049	-	-	-	-	9,049	-	-	9,049
Udhia	-	-	121,634	-	-	-	-	-	121,634	-	-	121,634
Charitable contributions	1,300	-	-	62,950	24,700	-	-	-	88,950	-	-	88,950
Fundraising & advertising	-	-	-	-	-	-	-	-	-	-	129,835	129,835
Utilities	81,290	918	-	-	-	104	-	-	82,312	15,018	-	97,330
Meal & entertainment	3,500	-	-	-	-	89	-	-	3,589	614	1,128	5,331
Cleaning supplies	-	-	-	-	-	-	-	-	-	1,291	-	1,291
Bank service charges	-	-	-	-	-	-	-	-	-	18,443	-	18,443
Miscellaneous	-	-	-	-	-	-	-	-	-	560	-	560
Depreciation	-	-	-	-	-	-	-	-	-	4,895	-	4,895
Total	\$ 1,313,661	\$ 34,378	\$ 238,786	\$ 108,179	\$ 46,730	\$ 1,144,805	\$ 7,600	\$ 318	2,894,457	\$ 324,555	\$ 241,259	\$ 3,460,271

See the notes to Financial Statements

Mercy Without Limits, Inc.
 Combined Statement of Cash Flows
 December 31, 2016

CASH FLOW FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 953,832
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	4,894
Decrease (Increase) in Operating Assets:	
Prepayment	21,776
Security Deposit	(679)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(53,504)
Accrue Payable	3,282
Net Cash Provided From Operating Activities	929,601

CASH FLOW FROM INVESTING ACTIVITIES:

Cash Payments for purchase of fixed asset	(18,886)
Repayment of Loan	(6,700)
Net Cash Outflow by Investing Activities	(25,586)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	904,015
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	1,204,783
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 2,108,798

SUPPLEMENTAL INFORMATION

Cash paid for Interest Expense, net of capitalization	None
Cash paid for Income Taxes	None

Mercy Without Limits, Inc.
Notes to the Combined Financial Statements
December 31, 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Mercy Without Limits, Inc. (the Organization) was incorporated on May 17, 2012 in the state of Kansas as a not-for-profit organization. The organization is established mainly to help the orphan children of Syria through assistance obtained from individual donors and grants from partners. The organization provides health programs, educational support, and food and shelter and other basic humanitarian assistances to thousands of Syrian children who have been orphaned by the ongoing war.

The Organization has four board members and two affiliated entities located in Turkey and Jordan. These entities are registered and licensed to operate in Turkey and Jordan. The Mercy Without Limits – USA, located in Overland Park, Kansas, is responsible for fundraising, administering and coordinating projects. On the other hand, the entities in Turkey and Jordan are mainly responsible for implementing the strategic plans of the board. Mercy Without Limits – Turkey, is mainly responsible for helping educational institutes in Syria. The supports include but not limited to building or reconstructing schools in Syria. Also, funds may be used to pay salaries of teachers and buy educational materials. Mercy Without Limits – Jordan, primarily provides emergency assistance to orphans and widows (assistances include: food, shelter, supplies and medical assistance). The entity also provides relief/humanitarian assistance to needy families.

The organization has signed agreements and memorandum of understanding with partner organizations. The partners are responsible for implementing the Organization’s projects in compliance with the scope of work defined in their respective agreements. Some of these partners also provide grants to Mercy Without Limit.

About 69% of the income of the organization was collection from individual donors and the remaining 31% was grant from partners.

The following program are among the major programs that are funded and administered:

- A. Education Program:** The Education Project helps Aleppo University located in the City of Daraa and Aleppo. The project supports the University to extend education program for the Syrian refugees. The program also subsidizes many informal elementary, middle, and high schools across the rebel-controlled cities in Syria since formal schools have become insecure. In partnership with the University of Washington, Columbia University, Eastern Michigan University, University of California Berkeley, and others, the Organization facilitates a scholarship program under the program initiative called “Books not Bombs”.
- B. Healthcare Program:** The purpose of the program is to provide immediate healthcare aids to communities facing medical crisis. Healthcare funds may be used for rebuilding healthcare facilities, providing support to the operation of the facilities and purchase of medicines.
- C. Orphan Support Project:** The core mission orphan sponsorship program is designed to guarantee the wellbeing of orphan children through targeted initiatives by nourishment, shelter, health and education. For a donation of \$60 per month per child, orphans are given access to clean water, food security, health services, education, and other needed necessities. Our

Mercy Without Limits, Inc.
Notes to the Combined Financial Statements
December 31, 2016

program guarantees orphans the opportunity to thrive and grow into empowered, educated, and dedicated members of their community.

- D. Special Project:** The organization collects funds for Uyhida program each year to support the poor and the needy families during the month of Ramadan. Funds are used to buy meals to those who otherwise don't have funds to buy meat for Ramadan holiday.

Significant Accounting Policies

Basis of Accounting

The Organization prepares its combined financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Principles of Combination

Mercy Without Limits, Inc. – USA provides the significant portion of funding to the Jordan branch and Mercy Without Limits – Turkey. Mercy Without Limits – Turkey is a separate legal entity and its operational activities are directed by its board of directors. Although Mercy Without Limits, Inc. – USA significantly influences the policies of the Mercy Without Limits – Turkey, the Turkey office can raise funds and run projects independent of the USA office. The Jordan office is a branch office of Mercy Without Limits, Inc. – USA. All significant intercompany transactions and balances have been eliminated. During the fiscal year ended December 31, 2016, Mercy Without Limits – USA provided more than 99% funding to its affiliate, Mercy Without Limits – Turkey and 100% to the Jordan branch. Hence, for financial reporting purposes Mercy Without Limits, Inc. – USA combined the financial statement of Jordan office and Mercy Without Limits – Turkey.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Contribution, Grant and Support

Revenue consists of general contributions, grants and donations; and is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions, Grants or Supports are recorded as unrestricted or donor restricted, depending on the existence and nature of any donor stipulation. Contribution, Grant or Support that is not restricted by the donor is reported as an increase in unrestricted revenue.

When a restriction expires (when a stipulated time restriction expires, or purpose restriction is accomplished), donor restricted net assets are reclassified to unrestricted net assets and

Mercy Without Limits, Inc.
Notes to the Combined Financial Statements
December 31, 2016

reported in the Statement of Activities as net assets released from restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as unrestricted net assets.

Furniture and Equipment

The Organization capitalizes fixed assets with original cost of \$1,000 and useful life more than one year. Depreciation of furniture and equipment is calculated and recorded using straight-line method over the useful lives of the assets, which ranges from 3 to 5 years.

Functional Allocation of Expenses

Expenses directly identifiable with specific programs are charged to programs and supporting services. Expenses related to more than one function or program are allocated within the programs based on a reasonable estimate of time and material spent in the functional area or program. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide services for the overall support and direction of the Organization.

Use of Estimates

The preparation of financial statements per the accounting principle adopted requires management to make certain estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The organization is a not-for-profit public charity that is exempt from Federal Income taxes under Section 501(c) (3) of the Internal Revenue Code. However, the organization is subject to federal income tax on any unrelated business taxable income. The Organization has not earned any unrelated income during the fiscal year ended December 31, 2016. Accordingly, no provision for income taxes are provided. The tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

Foreign Currency Translation

The functional currencies of the Organization's affiliates are their respective local currencies. The reporting currency for Mercy Without Limits – Turkey operation is United States Dollars (USD). The accounting system has a functionality of multiple currency recording whereby all financial transactions in local currency are translated in to USD at a real-time. Management believes that the effect on the financial statements due to currency fluctuations is insignificant. The reporting currency for the Mercy Without Limits – Jordan operation is Jordanian Dinar. For the preparation of the combined financial statement, the Organization translates all assets and liabilities to United States dollars at the current exchange rates as of the applicable statement of financial position date. Income and

Mercy Without Limits, Inc.
Notes to the Combined Financial Statements
December 31, 2016

expenses are translated using the average exchange rate for the year. Gains and losses resulting from the currency translation are reported in the combined financial statement.

Note 2: Cash and Cash Equivalents

As of December 31, 2016, the Cash balances maintained in each location are shown below. The Organization did not own any cash equivalents during the year.

Bank Accounts:	
Cash in USA Central Bank	\$ 980,799
Cash in USA BMO Harris Bank	744,563
Cash in Banks Turkey	374,535
Cash in Banks Jordan	775
Petty Cash Jordan	45
Petty Cash Turkey	8,081
Total	<u><u>\$ 2,108,798</u></u>

Note 3: Concentration Risk

The Organization maintains cash balances at bank located in USA, Turkey and Jordan, which at times may exceed insurance limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The cash accounts maintained at the financial institution located in the USA are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Note 4: Related Party Transactions

The organization provides operating advance to the branch offices corresponding to each approved program. During the fiscal year ended December 31, 2016 the advance funds transferred to the Turkey and Jordan offices were \$2,513,178 and \$370,096, respectively. The organization hired contractors for bookkeeping services and program management services and paid \$13,000 and \$6,138, respectively. The contractors have blood relationship with the Chief Executive Officer (CEO) of the organization.

Note 5: Operating Lease

The Organization leases its corporate office under operating lease agreement beginning on February 16, 2015 through February 15, 2017. The monthly rental charge is \$900. Future lease commitments due is \$1,450 for the fiscal year 2017.

Note 6: Subsequent Events

Subsequent events have been evaluated through April 30, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Mercy Without Limits, Inc.
Combining Statement of Financial Position
December 31, 2016

	<u>USA</u>	<u>Turkey</u>	<u>Jordan</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and Cash Equivalent				
Cash at bank	\$ 1,725,362	\$ 374,535	\$ 775	\$ 2,100,672
Petty cash	-	8,081	45	8,126
Total Cash and Cash Equivalent	1,725,362	382,616	820	2,108,798
Prepayment	-	1,883	3,177	5,060
Security Deposit	-	679	-	679
Total Current Assets	1,725,362	385,178	3,997	2,114,537
Fixed Assets				
Furniture & Equipment	2,002	12,701	4,810	19,513
Machineries	-	14,531	-	14,531
Other Fixed Assets	-	586	-	586
Accumulated Depreciation	(800)	(6,234)	(1,093)	(8,127)
Total Fixed Assets	1,202	21,584	3,717	26,503
TOTAL ASSETS	1,726,564	406,762	7,714	2,141,040
LIABILITIES AND NET ASSET				
Current Liabilities				
Accounts payable	-	(39,405)	-	(39,405)
Accrude payable	-	870	2,412	3,282
Total Current Liabilities	-	(38,535)	2,412	(36,123)
Net Assets				
Unrestricted Net Assets	589,586	(197,655)	(9,240)	382,691
Change in Net Assets	1,136,978	642,952	14,542	1,794,472
Total Net Assets	1,726,564	445,297	5,302	2,177,163
TOTAL LIABILITIES AND NET ASSET	\$1,726,564	\$406,762	\$7,714	2,141,040

Mercy Without Limits, Inc.
Combining Statements of Activities
Year Ended December 31, 2016

	USA	Turkey	Jordan	Elimination	Combined Total
REVENUE					
Donations/Contribution Received	\$ 4,399,930	\$ 2,513,150	\$ 384,008	\$ (2,883,274)	\$ 4,413,814
Other Income	-	289	-		289
Total Revenue	4,399,930	2,513,439	384,008	(2,883,274)	4,414,103
EXPENSES					
Program Expenses					
Education Program	1,661,760	1,282,332	29,367	(1,659,798)	1,313,661
Emergency Response Program	14,961	19,417	-	-	34,378
FSL & ERO Program	389,990	229,847	3,514	(384,565)	238,786
Health Program	103,368	98,805	9,374	(103,368)	108,179
Insitutional Support Program	-	46,730	-	-	46,730
Protection Program	636,621	863,577	257,763	(613,156)	1,144,805
WASH Program	36,325	5,000	-	(33,725)	7,600
Livelihood Program	-	-	318	-	318
Total Program Expenses	2,843,025	2,545,708	300,336	(2,794,612)	2,894,457
Administrative Expenses					
Payroll Expenses	-	71,536	48,305	-	119,841
Other Administrative Expenses	181,413	91,105	20,858	(88,662)	204,714
Total Administration Expenses	181,413	162,641	69,163	(88,662)	324,555
Fund Raising Expenditures	238,514	2,745	-	-	241,259
Total Fund Raising Expenses	238,514	2,745	-	-	241,259
Total Expenses	3,262,952	2,711,094	369,499	(2,883,274)	3,460,271
Change in Net Assest	1,136,978	(197,655)	14,509	-	953,832
Net Assets at the Beginning of the Year	589,586	642,952	(9,207)	-	1,223,331
Net Assets at the End of the Year	\$ 1,726,564	\$ 445,297	\$ 5,302	\$ -	\$ 2,177,163