

Mercy Without Limits, Inc.

Combined Financial Statements
For the year ended December 31, 2015

Mercy Without Limits, Inc.

December 31, 2015

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Independent Auditor's Report

Board of Directors
Mercy Without Limits Inc. and 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 affiliate, which comprise the combined statement of financial position as of December 31, 2015, 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% 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.

Basis for Qualified Opinion

Mercy Without Limits, Inc. has been in business since May 2012 and this is the first audit conducted during its operation. At the beginning of the fiscal year as of January 1, 2015, its books had a balance of \$357,146 in net assets. Limitations on the internal controls did not enable us to perform sufficient audit procedures to verify the balance. We are unable to ensure whether those balances contain misstatements that may materially affect the current financial reports. We also could not ascertain whether the prior period's closing balances have been correctly brought forward to the current period. Further, we are not certain whether the appropriate accounting policies that the Organization adopted were applied consistently.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Mercy Without Limits, Inc. as of December 31, 2015, and the combined changes in its net assets, combined functional expenses, and its combined cash flows for the year then ended in accordance 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 12 and 13 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, 2015

ASSETS

Current Assets

Cash and Cash Equivalent (Note 2)	\$ 1,204,783
Advance to Contractors & Prepayments (Note 3)	26,836
Total Current Assets	<u>1,231,619</u>

Fixed Assets

Furniture and Fixtures	15,744
Accumulated Depreciation	(3,233)
Total Fixed Assets (Net)	<u>12,511</u>

TOTAL ASSETS	<u><u>\$ 1,244,130</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ 14,099
Notes Payable (Note 5)	6,700
Total Liabilities	<u>20,799</u>

Net Assets

Unrestricted Net Assets	1,223,331
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,244,130</u></u>

Mercy Without Limits, Inc.
 Combined Statement of Activities
 For the Year Ended December 31, 2015

REVENUE

Contribution, Grants & Support \$ 4,033,964

EXPENSES

Program

Education	891,400
Emergency response	126,118
FSL & ERO	336,459
Health	358,930
Protection	841,032
Livelihood	272,983
Total Program Expenses	<u>2,826,922</u>

Management and General

Payroll expenses	44,671
Other administrative expenses	143,304
Total Management and General	<u>187,975</u>

Fund Raising

152,882

Total Expenses

3,167,779

Change in Net Assets

866,185

Net Assets at the Beginning of the Year

357,146

Net Assets at the End of the Year

\$ 1,223,331

Mercy Without Limits, Inc.
 Combined Statement of Functional Expenses by Natural Classification
 For the Year Ended December 31, 2015

Expense	Program Expenses						Total	Management & General	Fundraising	Total Expenses
	Education	Emergency Response	FSL & ERD	Health	Protection	Livelihood				
Payroll expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,671	\$ -	\$ 44,671
Professional services	-	-	-	-	-	-	-	26,341	-	26,341
Education	368,287	-	-	-	-	-	368,287	-	-	368,287
Food	-	-	336,459	-	-	-	336,459	-	986	337,445
Medical support	-	-	-	11,425	-	-	11,425	-	-	11,425
Orphan sponsorship	20,113	80,818	-	-	579,051	-	679,982	1,000	-	680,982
Charitable contribution	502,000	45,300	-	234,888	-	-	782,188	-	-	782,188
Postage & copying	-	-	-	-	-	-	-	6,998	-	6,998
Ramadan project	-	-	-	-	104,978	-	104,978	-	-	104,978
Repair and maintenance	-	-	-	-	-	-	-	3,304	-	3,304
Syrian expatriates	1,000	-	-	112,617	-	-	113,617	-	-	113,617
Telephone & internet	-	-	-	-	-	-	-	3,278	-	3,278
Udhia	-	-	-	-	157,003	272,983	429,986	-	-	429,986
Travel & accommodation	-	-	-	-	-	-	-	5,405	44,955	50,360
Fundraising & advertising	-	-	-	-	-	-	-	-	29,986	29,986
Event coordination	-	-	-	-	-	-	-	-	52,200	52,200
Event sponsorship	-	-	-	-	-	-	-	-	17,700	17,700
Supplies	-	-	-	-	-	-	-	3,088	673	3,761
License, taxes & permits	-	-	-	-	-	-	-	40,941	-	40,941
Rent or lease of buildings	-	-	-	-	-	-	-	24,950	6,382	31,332
Legal & accounting	-	-	-	-	-	-	-	3,876	-	3,876
Meal & entertainment	-	-	-	-	-	-	-	1,466	-	1,466
Utilities	-	-	-	-	-	-	-	1,240	-	1,240
Depreciation	-	-	-	-	-	-	-	3,097	-	3,097
Miscellaneous	-	-	-	-	-	-	-	12,853	-	12,853
Bank charges	-	-	-	-	-	-	-	5,467	-	5,467
	\$ 891,400	\$ 126,118	\$ 336,459	\$ 358,930	\$ 841,032	\$ 272,983	\$ 2,826,922	\$ 187,975	\$ 152,882	\$ 3,167,779

See the notes to Financial Statements

Mercy Without Limits, Inc.
 Combined Statement of Cash Flows
 December 31, 2015

CASH FLOW FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 866,185
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	3,097
Decrease (Increase) in Operating Assets:	
Prepayment	(1,638)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	14,080
Net Cash Provided From Operating Activities	881,724

CASH FLOW FROM INVESTING ACTIVITIES:

Cash Payments for purchase of fixed asset	(14,778)
Net Cash Outflow by Investing Activities	(14,778)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	866,946
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	337,837
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 1,204,783

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, 2015

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 branch 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 office 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.

48% of the income of the organization was collection from individual donors and the remaining 52% 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, 2015

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 Mercy Without Limits – Turkey, the Turkey office can raise funds and run projects independent of the USA office. The Joran office is a branch of Mercy Without Limits, Inc. – USA. All significant intercompany transactions and balances have been eliminated. During the fiscal year ended December 31, 2015, Mercy Without Limits, Inc. – USA provided more than 85% funding to its affiliate, Mercy Without Limits Inc – Turkey and 100% to the Jordan Branch. Hence, for financial reporting purposes Mercy Without Limits, Inc. – USA combined the financial statement Joran 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, 2015

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, 2015. 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, 2015

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, 2015 the Cash balances maintained in each location are shown below. The Organization did not own any cash equivalents during the year.

<u>Bank Accounts:</u>	
Cash in USA Central Bank	\$ 414,040
Cash in USA BMO Harris Bank	156,106
Cash in Banks Turkey	630,512
Cash in Banks Jordan	1,908
Petty Cash Turkey	2,217
Total	<u><u>\$ 1,204,783</u></u>

Note 3: Advance to Contractors

The organization entered a contract agreement with professional contractors for fundraising services, bookkeeping and accounting services. As of December 31, 2015, the Organization provided advances to these individuals and the balance due from the contractors are shown below. The branch offices also paid similar advances as detailed below:

<u>Entities/ Individuals</u>	
Mohammad Safwan	\$5,000
Tariq Sameeh Hashem	4,579
Sh. Elkhaldy	15,000
Others	2,257
Total	<u><u>\$26,836</u></u>

Note 4: Concentration Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. 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.

Mercy Without Limits, Inc.
Notes to the Combined Financial Statements
December 31, 2015

Note 5: Related Party Transactions

The organization provides operating advance to the branch offices corresponding to each approved program. During the fiscal year ended December 31, 2015 the advance funds transferred to the Turkey and Jordan offices were \$1,581,073 and \$506,755, respectively.

The Organization obtained a non-interest bearing operating fund/loan from the president of the organization when the organization was established in 2012. The face value of the note outstanding on December 31, 2015 was \$6,700 and the note is not interest bearing. This loan was repaid in full in the fiscal year 2016. The organization hired contractor for bookkeeping services and paid \$23,000. The contractor has blood relationship with the Chief Executive Officer (CEO) of the organization.

Note 6: 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 under the agreement is \$10,800 for the fiscal year 2016 and \$1,450 for the fiscal year 2017.

Note 7: 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, 2015

	<u>USA</u>	<u>Turkey</u>	<u>Jordan</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and Cash Equivalent				
Cash at bank	\$ 570,146	\$ 630,512	\$ 1,908	\$ 1,202,566
Petty cash	-	2,217	-	2,217
Total Cash and Cash Equivalent	570,146	632,729	1,908	1,204,783
Prepayment	24,579	-	2,257	26,836
Total Current Assets	594,725	632,729	4,165	1,231,619
Fixed Assets				
Furniture & Equipment	2,002	12,776	966	15,744
Accumulated Depreciation	(400)	(2,553)	(280)	(3,233)
Total Fixed Assets	1,602	10,223	686	12,511
TOTAL ASSETS	\$596,327	\$ 642,952	\$ 4,851	\$1,244,130
LIABILITIES AND NET ASSETS				
Liabilities				
Current Liabilities				
Accounts payable	\$ 41	\$ -	\$ 14,058	\$ 14,099
Total Accounts Payable	41	-	14,058	14,099
Other Current Liabilities				
Notes Payable	6,700	-	-	6,700
Total Other Current Liabilities	6,700	-	-	6,700
Total Current Liabilities	6,741	-	14,058	20,799
Total Liabilities	6,741	-	14,058	20,799
Equity				
Unrestricted Net Assets	351,292	-	5,854	357,146
Change in Net Assets	238,294	642,952	(15,061)	866,185
Total Net Assets	589,586	642,952	(9,207)	1,223,331
TOTAL LIABILITIES AND NET ASSETS	\$596,327	\$ 642,952	\$ 4,851	\$1,244,130

Mercy Without Limits, Inc.
Combining Statement of Activities
Year Ended December 31, 2015

	<u>USA</u>	<u>Turkey</u>	<u>Jordan</u>	<u>Elimination</u>	<u>Total</u>
REVENUE					
Donations/Contribution Received	\$ 3,756,526	\$ 1,858,734	\$ 506,755	\$ (2,088,051)	\$ 4,033,964
EXPENSES					
Program Expenses					
Education	1,589,202	502,000	132,287	(1,332,089)	891,400
Emergency Response	65,300	80,818	-	(20,000)	126,118
FSL & ERD	657,398	-	12,459	(333,398)	336,459
Health	330,077	234,888	1,425	(207,460)	358,930
Protection	649,962	296,267	74,907	(180,104)	841,032
Livelihood	-	-	272,983	-	272,983
Total Program Expenses	3,291,939	1,113,973	494,061	(2,073,051)	2,826,922
Administrative Expenses					
Payroll Expenses	-	28,779	15,892	-	44,671
Other Administrative Expenses	73,411	73,030	11,863	(15,000)	143,304
Total Administrative Expenses	73,411	101,809	27,755	(15,000)	187,975
Fundraising Expenses	152,882	-	-	-	152,882
Total Expenses	3,518,232	1,215,782	521,816	(2,088,051)	3,167,779
Change in Net Assets	238,294	642,952	(15,061)	-	866,185
Net Assets at the Beginning of the Year	351,292	-	5,854	-	357,146
Net Assets at the End of Year	\$ 589,586	\$ 642,952	\$ (9,207)	\$ -	\$ 1,223,331