

Mercy Without Limits, Inc.

Combined Financial Statements
For the year ended December 31, 2017

Mercy Without Limits, Inc.

December 31, 2017

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Independent Auditor's Report

Board of Directors
Mercy Without Limits, Inc & affiliates
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, 2017, 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–Turkey and Jordan, which the financial statements reflect total assets and revenue constituting 45% and 27% of the combined total assets and combined total revenue, respectively, for the year then ended. Of the total revenues reported by the affiliates, 95% was a transfer of funds from the Mercy Without Limits–USA. 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, 2017, 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 schedules 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
August 30, 2018

Mercy Without Limits, Inc.
Combined Statement of Financial Position
As of December 31, 2017

ASSETS

Current Assets

Cash and Cash Equivalent (Note 2)	\$ 1,494,883
Accounts Receivable	341,321
Advances and Prepayments	4,548
Security Deposit	1,397
Total Current Assets	<u>1,842,149</u>

Fixed Assets

Furniture and Fixtures	21,928
Machinery and Equipment	20,889
Other Fixed Assets	586
Accumulated Depreciation	(16,103)
Total Fixed Assets (Net)	<u>27,300</u>
TOTAL ASSETS	<u><u>\$ 1,869,449</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 14,022
Credit Card	20,936
Deferred income	276,567
Accrued Payable	38,057
Total Current Liabilities	<u>349,582</u>

Net Assets

Unrestricted Net Assets	1,519,867
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,869,449</u></u>

Mercy Without Limits, Inc.
 Combined Statement of Activities
 For the Year Ended December 31, 2017

REVENUE

Contribution & support	\$ 3,654,878
Gain on sales of fixed assets	173
Foreign currency exchange gain/(loss)	12,660
In-kind donation	10,008,807
Other income	1,587
Total Revenue	13,678,105

EXPENSES

Program

Education	1,550,750
Emergency response	410,559
FSL & ERO	187,409
Health	10,159,300
Institutional Support	19,905
Protection	1,143,786
NIF	2,411
Livelihood	57,912
Total Program Expenses	13,532,032

Management and General

Payroll expenses	166,097
Other administrative expenses	362,221
Total Management and General	528,318

Fund Raising

Total Expenses	14,335,400
Change in Net Assets	(657,295)
Net Assets at the Beginning of the Year	2,177,162
Net Assets at the End of the Year	\$ 1,519,867

Mercy Without Limits, Inc.
Combined Statement of Functional Expenses by Natural Classification
For the Year Ended December 31, 2017

Expense	Program Expenses								Total Program	Management & General	Fundraising	Total Expenses
	Education	Emergency Response	FSL & ERD	Health	Institutional Support	Protection	NFI	Livelihood				
Salary and wages	\$ 1,031,444	\$ 18,922	\$ 19,139	\$ 28,567	\$ -	\$ 79,616	\$ 1,890	\$ -	\$ 1,179,578	\$ 166,097	\$ 13,223	\$ 1,358,898
Office supplies	16,110	-	-	300	-	697	340	-	17,447	9,126	2,235	28,808
Postage, copy & printing	72,358	1,055	4,125	-	-	6,009	86	-	83,633	23,482	777	107,892
Professional & legal fees	-	689	-	-	-	106	-	-	795	99,203	7,308	107,306
Telephone & internet	-	178	23	-	-	341	-	-	542	4,401	-	4,943
Travel and accommodation	11,551	543	1,080	-	-	8,979	95	-	22,248	53,334	59,720	135,302
Device, equipment & furniture	40,944	-	1,280	-	-	955	-	-	43,179	-	-	43,179
Heater with accessories	-	6,900	-	-	-	-	-	-	6,900	-	-	6,900
Education	108,781	-	-	-	-	-	-	-	108,781	-	-	108,781
Event sponsorship	-	-	-	-	-	-	-	-	-	-	52,244	52,244
Family sponsorship	-	9,970	-	-	-	3,318	-	-	13,288	-	-	13,288
Food distribution	-	16,106	44,158	-	-	-	-	-	60,264	-	-	60,264
KC-Refugees	-	20,515	-	-	-	-	-	-	20,515	-	-	20,515
License and permit	-	-	-	-	-	-	-	-	-	53,304	-	53,304
Orphans	-	131,000	8,000	-	-	842,813	-	57,912	1,039,725	-	-	1,039,725
Ramadan project	-	30,695	28,209	-	-	-	-	-	58,904	-	-	58,904
Rent	4,893	17,741	446	-	-	10,102	-	-	33,182	29,492	-	62,674
Repair & maintenance	17,759	-	-	-	-	42	-	-	17,801	1,065	-	18,866
Medical	-	-	-	172,196	-	73	-	-	172,269	-	-	172,269
Udhiya project	-	-	70,500	-	-	12,522	-	-	83,022	-	-	83,022
Charitable contributions	50,041	86,026	-	-	19,858	86,652	-	-	242,577	-	-	242,577
Blankets	-	19,796	-	-	-	-	-	-	19,796	-	-	19,796
Fundraising	-	-	-	-	-	-	-	-	-	-	135,187	135,187
Advertising	-	-	-	-	-	-	-	-	-	44,874	2,000	46,874
Utilities	12,566	1,101	804	-	-	3,538	-	-	18,009	7,618	-	25,627
Meals & entertainment	-	-	11	-	-	10,894	-	-	10,905	3,387	2,356	16,648
Bank service charge	3,883	743	5,037	2,928	47	13,380	-	-	26,018	23,583	-	49,601
Fuel for heating for projects	177,336	48,579	-	-	-	-	-	-	225,915	-	-	225,915
Partner fees	3,084	-	4,597	11,462	-	58,749	-	-	77,892	-	-	77,892
Penalties & settlements	-	-	-	-	-	-	-	-	-	416	-	416
Shelter	-	-	-	-	-	5,000	-	-	5,000	-	-	5,000
In-kind expense	-	-	-	9,943,847	-	-	-	-	9,943,847	-	-	9,943,847
Depreciation expense	-	-	-	-	-	-	-	-	-	8,514	-	8,514
Miscellaneous	-	-	-	-	-	-	-	-	-	422	-	422
	1,550,750	410,559	187,409	10,159,300	19,905	1,143,786	2,411	57,912	13,532,032	528,318	275,050	14,335,400

Mercy Without Limits, Inc
Combined Statement of Cash Flows
For the Year Ended December 31, 2017

CASH FLOW FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (657,295)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	7,976
Decrease (Increase) in Operating Assets:	
Account receivable	(341,321)
Advance to employees	(2,488)
Prepayment	3,000
Security deposit	(718)
Increase (Decrease) in Operating Liabilities:	
Accounts payable	53,426
Credit card payable	20,936
Deferred income	276,567
Accrued payable	34,775
Net Cash Provided From Operating Activities	(605,142)

CASH FLOW FROM INVESTING ACTIVITIES:

Cash payments for purchase of fixed asset	(8,773)
Net Cash Outflow From Investing Activities	(8,773)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(613,915)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	2,108,798
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 1,494,883

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, 2017

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. Mercy Without Limits–USA, located in Overland Park, Kansas, is responsible for fundraising, administering and coordinating projects. The affiliates are mainly responsible for implementing the strategic plans of the organization. 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 also conducts similar activities in Iraq, Bangladesh, Ghana and other part of the world.

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.

About 56% of the ordinary income excluding other income and in-kind donations was collected from individual donors. Donations from business organizations for the year constitutes 44% of the total ordinary income.

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 purpose of the program is to help orphan children through targeted initiatives by nourishment, shelter, health and education. The organization search for orphan sponsors and provide direct need-based assistance to the children. For a donation of \$60

Mercy Without Limits, Inc.
Notes to the Combined Financial Statements
December 31, 2017

per month per child, orphans are provided with access to clean water, food security, health services, education, and other needed necessities.

- D. Special Project:** The organization collects funds for Udhiya 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.

Basis of Combination

Mercy Without Limits, Inc- USA provides the significant portion of funding to the Jordan branch and Mercy Without Limits Inc- Turkey. Mercy Without Limits Inc-Turkey is a separate legal entity and its operational activities are directed by its board of directors. Although Mercy Without Limits, Inc- USA significantly influence the polices of the Mercy Without Limits Inc-Turkey, the turkey office can raise funds and run projects independent of the USA office. The Jordan office is a branch office to the Mercy Without Limits, Inc-USA. All significant intercompany transactions and balances have been eliminated. During the fiscal year ended December 31, 2017, Mercy Without Limits-USA provided about 92% funding to its affiliate, Mercy Without Limits Inc-Turkey and 100% to Jordan Branch. A reduction of USA office's assistance to the affiliates can significantly impeded their operation. affiliates are economically dependent on the USA office. Hence, for financial reporting purposes Mercy Without Limits, Inc- USA combined the financial statement Joran office and Mercy Without Limits, Inc-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.

Mercy Without Limits, Inc.
Notes to the Combined Financial Statements
December 31, 2017

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 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.

Fixed Asset Capitalization

The Organization capitalizes fixed assets with original cost of \$1,000 and useful life more than one year. All depreciable fixed assets are valued at cost. 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, 2017. 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 on a real-time basis. 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

Mercy Without Limits, Inc.
Notes to the Combined Financial Statements
December 31, 2017

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 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, 2017, 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	\$ 828,834
Cash in USA BMO Harris Bank	176,943
Cash in Banks Turkey	397,344
Cash in Banks Jordan	91,751
Petty Cash Jordan	11
Total	<u><u>\$1,494,883</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 affiliated/branch offices corresponding to each approved program. During the fiscal year ended December 31, 2017 the advance funds transferred to the Turkey and Jordan offices were \$3,049,417 and \$411,000, respectively. The organization hired contractors for bookkeeping services and program management services and paid \$45,500 and \$28,134, respectively. These individuals are close family members of the Chief Executive Officer (CEO) of the organization.

Note 5: Operating Lease

The Organization leases its corporate office under operating lease agreement on a month to month basis. The monthly rental charge is \$900.

Note 6: Subsequent Events

Subsequent events have been evaluated through August 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
As of December 31, 2017

	USA	Turkey	Jordan	Total
ASSETS				
Current Assets				
Cash and cash equivalent				
Cash at bank	\$ 1,005,777	\$ 397,344	\$ 91,751	\$ 1,494,872
Petty cash	-	-	11	11
Total Cash and Cash Equivalent	1,005,777	397,344	91,762	1,494,883
Accounts receivables	-	341,321	-	341,321
Advance & prepayment	-	4,548	-	4,548
Security deposit	-	1,397	-	1,397
Total Current Assets	1,005,777	744,610	91,762	1,842,149
Fixed Assets				
Furniture & equipment	2,002	15,116	4,810	21,928
Machineries	-	20,889	-	20,889
Other fixed assets	-	586	-	586
Accumulated depreciation	(1,600)	(12,883)	(1,620)	(16,103)
Total Fixed Assets, Net	402	23,708	3,190	27,300
TOTAL ASSETS	1,006,179	768,318	94,952	1,869,449
LIABILITIES AND NET ASSET				
Current Liabilities				
Accounts payable	14,022	-	-	14,022
Credit card	20,936	-	-	20,936
Deferred income	-	276,567	-	276,567
Accrued payable	12,416	25,641	-	38,057
Total Current Liabilities	47,374	302,208	-	349,582
Net Assets				
Unrestricted Net Assets- Beginning	1,726,564	445,297	5,302	2,177,163
Change in Net Assets	(767,759)	20,813	89,650	(657,296)
Total Net Assets	958,805	466,110	94,952	1,519,867
TOTAL LIABILITIES AND NET ASSET	\$1,006,179	\$768,318	\$94,952	1,869,449

Mercy Without Limits, Inc.
Combining Statements of Activities
Year Ended December 31, 2017

	USA	Turkey	Jordan	Elimination	Combined Total
REVENUE					
Donations/contribution received	\$ 3,539,076	\$ 3,167,345	\$ 408,874	\$ (3,460,417)	\$ 3,654,878
Gain on sale of fixed assets	-	173	-	-	173
Other income	-	1,587	-	-	1,587
Exchange gain/ (loss)	-	13,197	(537)	-	12,660
In-kind donation	9,943,847	64,960	-	-	10,008,807
Total Revenue	13,482,923	3,247,262	408,337	(3,460,417)	13,678,105
EXPENSES					
Program Expenses					
Education program	1,715,024	1,416,566	120,117	(1,700,957)	1,550,750
Emergency response program	467,465	259,044	-	(315,950)	410,559
FSL & ERO program	8,000	179,409	-	-	187,409
Health program	9,994,812	214,488	-	(50,000)	10,159,300
Protection program	1,493,907	970,574	72,815	(1,393,510)	1,143,786
Institutional support program	-	19,905	-	-	19,905
Livelihood program	-	-	57,912	-	57,912
NIF	-	2,411	-	-	2,411
Total Program Expenses	13,679,208	3,062,397	250,844	(3,460,417)	13,532,032
Management and General					
Payroll	26,484	104,290	35,323	-	166,097
Other administrative	292,526	59,629	10,066	-	362,221
Total Management and General	319,010	163,919	45,389	-	528,318
Fund Raising Expenditures					
Total Fund Raising Expenses	252,464	133	22,453	-	275,050
Total Expenses	14,250,682	3,226,449	318,686	(3,460,417)	14,335,400
Change in net assets	(767,759)	20,813	89,651	-	(657,295)
Net assets at the beginning of the year	1,726,563	445,297	5,302	-	2,177,162
Net assets at the end of the year	\$ 958,804	\$ 466,110	\$ 94,953	\$ -	\$ 1,519,867