

2021 and 2020 Financial Statements

Medical Outreach Ministries

Montgomery, Alabama

DRAFT

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Independent Auditors' Report

To the Board of Directors
Medical Outreach Ministries
Montgomery, Alabama

Opinion

We have audited the accompanying financial statements of Medical Outreach Ministries (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Outreach Ministries as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Section of our report. We are required to be independent of Medical Outreach Ministries and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 21 to the financial statements, management was made aware that the Organization was the named beneficiary of a charitable trust. Previously stated net assets have been adjusted by \$329,374 to reflect the fair value of the beneficial interest in the trust as of December 31, 2020. Our opinion is not modified with respect to that matter.

Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Medical Outreach Ministries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Medical Outreach Ministries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Medical Outreach Ministries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged in governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Montgomery, Alabama
May xx, 2022

Medical Outreach Ministries
Montgomery, Alabama
December 31, 2021 and 2020

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Statements of Financial Position

Medical Outreach Ministries
 Montgomery, Alabama
 As of December 31

	2021	Restated 2020
Assets		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 132,180	\$ 112,774
Deposits in trust with Baptist Health Care Foundation	963,975	605,449
Accounts receivable	118,214	57,320
Contributions receivable, net	78,206	62,435
Other assets	9,712	4,272
Total current assets	1,302,287	842,250
<i>Property and equipment:</i>		
Computers	81,179	73,182
Furniture and fixtures	113,541	102,768
Building	279,448	279,448
Accumulated depreciation	(138,298)	(118,491)
Net property and equipment	335,870	336,907
<i>Other non-current assets</i>		
Contributions receivable, net	42,100	99,171
Beneficial interest in charitable trust	351,548	329,374
Total other non-current assets	393,648	428,545
Total assets	\$ 2,031,805	\$ 1,607,702
Liabilities and net assets		
<i>Current liabilities:</i>		
Accounts payable	\$ 13,163	
Accrued payroll liabilities	21,406	\$ 18,726
Deferred revenue	30,000	90,000
Total current liabilities	64,569	108,726
<i>Net assets:</i>		
With donor restrictions	68,710	
Without donor restrictions:		
Board designated - Christenberry Endowment	89,712	40,595
Undesignated	1,808,814	1,458,380
Total net assets	1,967,236	1,498,976
Total liabilities and net assets	\$ 2,031,805	\$ 1,607,702

The accompanying notes are an integral part of these financial statements.

Statements of Activities

Medical Outreach Ministries

Montgomery, Alabama

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
In-kind donations	\$ 687,090		\$ 687,090
Grants	516,185	\$ 20,909	537,094
Donations	196,871		196,871
Capital campaign contributions	42,749	47,801	90,550
Distributions from charitable trusts	59,993		59,993
Medical records	6,260		6,260
Miscellaneous income	8,030		8,030
Trust revenues from investments	155,376		155,376
PPP loan forgiveness income	64,412		64,412
Change in market value of beneficial interest in charitable trust	22,175		22,175
Total revenues and other support	1,759,141	68,710	1,827,851
Expenses and other losses			
Program services:			
Patient care	733,613		733,613
Pharmaceutical assistance	485,419		485,419
Supporting services:			
Management and general	140,312		140,312
Loss on disposal of assets	247		247
Total expenses and other losses	1,359,591		1,359,591
Change in net assets	399,550	68,710	468,260
Net assets - beginning of year	1,498,976		1,498,976
Net assets - end of year	\$ 1,898,526	\$ 68,710	\$ 1,967,236

The accompanying notes are an integral part of these financial statements.

Statements of Activities

Medical Outreach Ministries

Montgomery, Alabama

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Restated Total
Revenues and other support			
In-kind donations	\$ 1,203,907		\$ 1,203,907
Grants	437,505		437,505
Donations	156,181		156,181
Capital campaign contributions	208,800		208,800
Distributions from charitable trust	53,047		53,047
Medical records	8,970		8,970
Miscellaneous income	1,733		1,733
Trust revenues from investments	24,971		24,971
PPP loan forgiveness income	64,412		64,412
Change in market value of beneficial interest in charitable trust	35,658		35,658
Total revenues and other support	2,195,184		2,195,184
Expenses and other losses			
Program services:			
Patient care	690,687		690,687
Pharmaceutical assistance	1,012,032		1,012,032
Supporting services:			
Management and general	107,700		107,700
Loss on disposal of assets	729		729
Total expenses and other losses	1,811,148		1,811,148
Change in net assets	384,036		384,036
Net assets - beginning of year, as previously stated	821,224		821,224
Prior period adjustment	293,716		293,716
Net assets - beginning of year, restated	1,114,940		1,114,940
Net assets - end of year	\$ 1,498,976		\$ 1,498,976

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Medical Outreach Ministries
Montgomery, Alabama

For the year ended December 31, 2021

	Program Services		Supporting Services		Total
	Patient Care	Pharmaceutical Assistance	Management and General		
Salaries and benefits	\$ 275,061	\$ 31,147	\$ 64,145	\$	\$ 370,353
Payroll taxes	22,228	2,517	5,184		29,929
Total compensation	297,289	33,664	69,329		400,282
Computer support	13,431	8,757	2,511		24,699
Contract Services	36,013				36,013
Contributed services	259,070	80,478	27,735		367,283
Depreciation	14,907	1,688	3,476		20,071
Equipment rental	6,633	751	1,547		8,931
Garbage and biohazard	3,849	436	897		5,182
In-kind pharmaceutical expense	319,807				319,807
Insurance	12,672	1,435	2,955		17,062
Laboratory fees	1,358				1,358
Membership fees	1,150				1,150
Medical supplies	14,238				14,238
Miscellaneous	7,273	824	1,695		9,792
Marketing			7,039		7,039
Office and facility	36,781	4,165	8,577		49,523
Pharmaceuticals		30,249			30,249
Postage and delivery	2,641	299	616		3,556
Printing and reproduction	3,116	353	727		4,196
Professional education	1,005				1,005
Professional fees			8,035		8,035
Security	490	56	114		660
Telephone	4,521	512	1,054		6,087
Utilities	17,176	1,945	4,005		23,126
Totals	\$ 733,613	\$ 485,419	\$ 140,312	\$	\$ 1,359,344

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Medical Outreach Ministries
Montgomery, Alabama

For the year ended December 31, 2020

	Program Services		Supporting Services	Total
	Patient Care	Pharmaceutical Assistance	Management and General	
Salaries and benefits	\$ 264,478	\$ 28,211	\$ 59,948	\$ 352,637
Payroll taxes	21,102	2,251	4,783	28,136
Total compensation	285,580	30,462	64,731	380,773
Computer support	10,514	8,551	2,383	21,448
Contributed services	259,070	80,478		339,548
Depreciation	17,353	1,851	3,933	23,137
Equipment rental	5,146	549	1,166	6,861
Garbage and biohazard	3,802	406	861	5,069
In-kind pharmaceutical expense		841,581		841,581
In-kind rent expense	3,809	406	863	5,078
Insurance	14,291	1,524	3,240	19,055
Laboratory fees	1,634			1,634
Medical supplies	10,515			10,515
Miscellaneous	13,621	1,453	3,084	18,158
Moving expenses				
Office and facility	36,096	3,850	8,182	48,128
Pharmaceuticals		38,037		38,037
Postage and delivery	3,074	328	697	4,099
Printing and reproduction	3,796	405	860	5,061
Professional education	2,218			2,218
Professional fees			7,800	7,800
Property tax			2,717	2,717
Security	2,758	294	625	3,677
Telephone	4,658	497	1,056	6,211
Utilities	12,752	1,360	2,890	17,002
Totals	\$ 690,687	\$ 1,012,032	\$ 107,700	\$ 1,810,419

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Medical Outreach Ministries
Montgomery, Alabama
For the years ended December 31

	2021	Restated 2020
Cash flows from operating activities		
Cash received from donors and grantors	\$ 819,205	\$ 666,897
Cash paid to vendors	(244,178)	(223,013)
Cash paid to employees	(397,602)	(371,331)
Interest income received	155,376	24,971
Net cash from operating activities	332,801	97,524
Cash flows from investing activities		
Purchase of property and equipment	(19,281)	(36,879)
Net cash from investing activities	(19,281)	(36,879)
Cash flows from financing activities		
PPP loan proceeds	64,412	64,412
Net cash from financing activities	64,412	64,412
Net increase in cash and cash equivalents	377,932	125,057
Cash and cash equivalents - beginning of year	718,223	593,166
Cash and cash equivalents - end of year	\$ 1,096,155	\$ 718,223
Reconciliation to amounts reported within the Statement of Financial Position		
Cash and cash equivalents	\$ 132,180	\$ 112,774
Deposits held in trust with Baptist Health Care Foundation	963,975	605,449
Total cash and cash equivalents	\$ 1,096,155	\$ 718,223

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Medical Outreach Ministries Montgomery, Alabama December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies

Nature of Activities – Medical Outreach Ministries (the “Organization”) is a nonprofit organization whose purpose is to provide free quality health care to the uninsured and medically underserved in Montgomery, Autauga, and Elmore counties. The Organization is supported primarily through donor contributions and state and local grants.

Basis of Presentation – Professional standards establish guidelines for external financial reporting by nonprofit organizations. These guidelines require resources to be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two classes of net assets are as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. As of December 31, 2021 and 2020, all of the Organization’s assets are unrestricted.

Net assets with donor restrictions - Consist of temporarily restricted and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Organization.

Loan Forgiveness – During the years ended December 31, 2021 and 2020, the Organization recognized income of \$64,412 related to forgiveness of a loan received through the Paycheck Protection Program (“PPP”) in accordance with FASB 958-605. See Note 15.

Cash and Cash Equivalents – All investments purchased with a maturity of three months or less are considered to be cash equivalents, including assets held in trust for operational purposes.

Accounts Receivable – Accounts receivable consist of amounts to be received under various grants. Due to this limited nature of the Organization’s accounts receivable, no allowance for doubtful accounts has been set up.

Property and Equipment – Property and equipment are capitalized at cost. Maintenance and repairs are charged to expense as incurred, and renewals and improvements are capitalized. Depreciation is computed on either the straight-line or the accelerated method over the estimated useful lives of the related assets, which are as follows:

Computers	3-10 years
Furniture and fixtures	5-15 years

Deferred Revenue – Deferred revenue consists of monies received from grantors for which the services have yet to be provided.

Notes to Financial Statements (Continued)
Medical Outreach Ministries
Montgomery, Alabama
December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Contributions – Contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as the contribution are reported as support without donor restrictions. Funds received during the year were used for stipulated purposes as of year end. See Note 4.

Contributions receivable consist of capital campaign pledges and are reported at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables, and once these receivables are determined to be uncollectible, they are written off through a charge against the allowance. Receivables are deemed to be delinquent upon failure of the donor to pay according to the original terms of the contract. Receivables are deemed to be uncollectible when balances are still outstanding after reasonable collection efforts have been used. The allowance for uncollectible contributions as of December 31, 2021 and 2020 was \$10,440.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on payroll.

Income Tax Status – The Organization holds 501(c)(3) corporation status and conducts its activities exclusively for charitable and educational purposes within the meaning of the U.S. Internal Revenue Code of 1986, under which it is qualified as a tax-exempt organization. Therefore, it has no provision for federal income taxes.

The Organization has implemented the accounting guidance for uncertainty in income taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of December 31, 2021, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Use of Estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – Management has evaluated subsequent events through April 29, 2022, which is the date the financial statements were available to be issued.

Notes to Financial Statements (Continued)
Medical Outreach Ministries
Montgomery, Alabama
December 31, 2021 and 2020

Note 2 – Property and Equipment

Balances of major classes of assets and allowances for depreciation are as follows at December 31, 2021:

	Cost	Accumulated Depreciation	Net Book Value
Computers	\$ 81,179	\$ 49,862	\$ 31,317
Furniture and fixtures	114,041	73,802	40,239
Building	279,448	14,676	264,772
Total	\$ 474,668	\$ 138,340	\$ 336,328

Balances of major classes of assets and allowances for depreciation are as follows at December 31, 2020:

	Cost	Accumulated Depreciation	Net Book Value
Computers	\$ 73,182	\$ 45,025	\$ 28,157
Furniture and fixtures	102,768	66,939	35,829
Building	279,448	6,527	272,921
Total	\$ 455,398	\$ 118,491	\$ 336,907

Prior to March 2020, the cost of the building used by the Organization was not reflected in the Statement of Financial Position because the asset title remained with Baptist Health. For the year ended December 31, 2020, the Organization has reported in-kind donation revenue and expense amounting to \$5,078, in the accompanying Statements of Activities and Statements of Functional Expenses for the free use of the facilities (See Note 10).

Depreciation expense for the years ending December 31, 2021 and 2020 was \$20,071 and \$23,137, respectively.

Note 3 – Deposits in Trust with Baptist Health Care Foundation

In 1998, an oral trust agreement was established with the Baptist Health Care Foundation (the “Foundation”) to manage the funds of the Organization. The terms of this agreement are outlined in a memorandum of understanding signed by both parties in 2019. Certain grants awarded to and amounts raised for the Organization are deposited with the Foundation to be held by the Foundation in a restricted account until needed. The Organization is also given a portion of the Foundation’s interest and dividends earned on its overall investment portfolio. Amounts are disbursed upon request and approval by the Executive Director of the Foundation who also sits on the board of the Organization. The total amounts held in trust by the Foundation were \$963,975 and \$605,449 for the years ended December 31, 2021 and 2020, respectively. These funds are not insured by the Federal Deposit Insurance Corporation (FDIC).

Note 4 – Contributions Receivable

In 2020, the Organization initiated a capital campaign to provide funding for the new building purchase, and any additional amounts will be used for building repairs and maintenance, equipment repairs and replacements, and an operating reserve. The Board established a goal of \$500,000 and expected to solicit support from businesses and individuals. Expenses associated with this effort are expensed as incurred.

Notes to Financial Statements (Continued)
Medical Outreach Ministries
Montgomery, Alabama
December 31, 2021 and 2020

Note 4 – Contributions Receivable (Continued)

An allowance for uncollectible pledges has been established based on the Organization’s experience with past fundraising efforts and current economic conditions. As of December 31, 2021 and 2020, the rate for uncollectible pledges was approximately 8% and 5% of the balance, respectively.

Pledges receivable at December 31 consist of the following:

	<u>2021</u>	<u>2021</u>
Total unconditional promises to give	\$ 130,071	\$ 172,046
Less: Allowance for uncollectible promises	<u>(10,440)</u>	<u>(10,440)</u>
Net pledges receivable	<u>\$ 119,631</u>	<u>\$ 161,606</u>
Amounts due in less than one year	\$ 77,531	\$ 62,435
Amounts due in one to three years	<u>42,100</u>	<u>99,171</u>
	<u>\$ 119,631</u>	<u>\$ 161,606</u>

Pledges are included in net assets with donor restrictions until the point in time the capital assets for which the funds were pledged are placed in service. During the years ended December 31, 2021 and 2020, \$42,749 and \$208,800 of pledges received were used towards the new building purchase which was placed in service during 2020; therefore, these pledges are classified as net assets without donor restrictions. Pledges received in excess of building cost will be considered temporarily restricted for future periods (see Note 12).

Note 5 – Beneficial Interest in Charitable Trust

The Organization is named as income beneficiary for the Frazer Medical Outreach Fund. The trust is a perpetual irrevocable trust that operates to provide a source of funding for the Organization as it pertains to health care needs within the church and community. The trust is managed by Frazer Memorial United Methodist Church Trust Fund Board who serves as trustee. Under the terms of the agreement, a minimum principal balance of \$100,000 must be maintained by the trust and may not be expended unless deemed necessary by the Medical Director and Board of Directors of Medical Outreach Ministries. The Organization is to receive annual distributions of income of the trust at an amount determined annually by the trustee. For the years ended December 31, 2021 and 2020, distributions were \$9,993 and \$6,986, respectively.

The value of the trust is included in net assets with donor restrictions. Management has determined that the value of the trust is based upon Level 1 inputs as defined in Note 7.

Note 6 – Beneficiary Trust Gain Contingency

The Organization is named as income beneficiary of a revocable trust. There is no legal obligation to fund the Organization now or in the future; however, it is the intention of the donor to provide funds to the Organization so long as the Organization continues its current mission. The trust will be terminated should the mission change or upon the death or disability of the trustee. Revenues are recognized when received from the trust since the Organization has no legal right to receive the funds. Total amounts received from the trust for the years ended December 31, 2021 and 2020, were \$50,000 and \$46,061, respectively.

Notes to Financial Statements (Continued)
Medical Outreach Ministries
Montgomery, Alabama
December 31, 2021 and 2020

Note 7 – Fair Value of Financial Instruments

Professional standards establish a framework for using fair value to measure assets and liabilities and define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). Under these standards a fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance.

Standards require disclosures that stratify balance sheet amounts measured at fair value based on inputs the Organization uses to derive fair value measurements.

These strata include:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Association-specific data. These unobservable assumptions reflect the Association's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Investments in marketable securities represent assets measured on a recurring basis at December 31, 2021 and 2020. These financial assets are valued using level 1 inputs and based on unadjusted quoted market prices within active markets. There were no level 2 or level 3 inputs as of December 31, 2021 and 2020.

Note 8 – Related Party Transactions

During the years ended December 31, 2021 and 2020, certain directors of the Organization also served as directors for Baptist Health, a not-for-profit healthcare provider system serving central Alabama, and Baptist Health Care Foundation (the "Foundation"), a not-for-profit corporation organized to develop resources that support Baptist Health.

During the year ended December 31, 2020, Baptist Health provided the Organization free use of facilities, which is valued at \$5,078 and is reflected as an in-kind donation on the Statements of Activities (see Note 13).

The Foundation acts as an assets manager for a portion for the Organization's total assets. These amounts are held in trust by the Foundation and are disbursed to the Organization upon request and approval (see Note 3).

Notes to Financial Statements (Continued)
Medical Outreach Ministries
Montgomery, Alabama
December 31, 2021 and 2020

Note 9 – Concentrations and Significant Risks

The Organization maintains cash balances in one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021 and 2020, there were no uninsured cash deposits. The Organization has experienced no losses in such accounts. Management believes it is not subject to significant concentrations of credit risk with respect to cash balances.

The Organization receives a majority of its pharmaceuticals used in assisting patients under contracts with Dispensary of Hope, Direct Relief, and Americares. The Organization pays an annual fee of \$7,500 to Dispensary of Hope and receives access to unlimited amounts of certain medications on an as needed basis. There is no fee associated with the Americares or Direct Relief contracts. These amounts are recorded as in-kind revenues and expenses on the Statements of Activities and Statements of Functional Expenses.

During the year ended December 31, 2021, the Organization received 62%, 30%, and 2% of total pharmaceuticals from Dispensary of Hope, Direct Relief, and Americares, respectively. During the year ended December 31, 2020, the Organization received 32%, 14%, and 50% of total pharmaceuticals from Dispensary of Hope, Direct Relief, and Americares, respectively.

The Organization receives a significant portion of its cash revenue through state and local grants. During the year ended December 31, 2021, two state grants accounted for approximately 13% and 11% of cash revenues. During the year ended December 31, 2020, one state grant and one local grant accounted for approximately 13% and 16% of cash revenues. The state grants are on a reimbursement basis, and such expenditures could be considered disallowed. The local grant has performance reporting requirements but is not subject to any refund stipulations.

Note 10 – Lease Commitments

The Organization has various operating leases for office equipment with remaining lease terms ranging from 9 to 52 months and monthly payments ranging from \$75 to \$480.

As of December 31, 2021, the estimated future remaining operating lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 10,638
2023	5,910
2024	5,760
2025	5,760
2026	1,920

For the years ending December 31, 2021 and 2020, payments related to the operating leases were \$8,931 and \$6,861, respectively, and are reflected as a component of equipment rental on the accompanying Statements of Functional Expenses.

Note 11 – Accrued Absences

All full-time employees of the Organization are eligible for 80 hours of vacation each year after six months of continuous employment and 120 hours after five years of employment. Part-time employees are eligible for vacation after six months of continuous employment based on an average of hours worked during the three previous pay periods. A maximum of one half of the total awarded vacation in one year may be carried over to the next year and be accumulated. Accrued leave for employees totaled \$14,703 and \$13,200 at December 31, 2021 and 2020, respectively.

Notes to Financial Statements (Continued)
Medical Outreach Ministries
Montgomery, Alabama
December 31, 2021 and 2020

Note 12 – Contributed Services

The Organization receives a substantial amount of support from unpaid volunteers who have contributed their time and talents. A significant portion of the contributed services are provided by skilled volunteers such as family practice physicians, registered nurses, and pharmacists. The estimated value of donated time by these volunteers is reflected in the Statement of Activities and Statement of Functional Expenses as an in-kind donation and related expense. For the years ended December 31, 2021 and 2020, the total estimated value of these services was \$367,283 and \$339,548, respectively, which was estimated using hours volunteered and median salaries in Montgomery, Alabama, including the value of currently offered benefits.

The Organization also receives clerical support from unpaid volunteers who have contributed their time and talents. The value of donated time by general volunteers is not reflected in these statements since it is not susceptible to objective measure or valuation.

Note 13 – In-kind Donations

During the years ended December 31, 2021 and 2020, in-kind donations consisted of the following:

	<u>2021</u>	<u>2020</u>
Use of Baptist Health facilities		\$ 5,078
Contributed services	\$ 367,283	339,548
Pharmaceuticals	319,807	841,581
Contributed equipment		17,700
	<u>\$ 687,090</u>	<u>\$ 1,203,907</u>

Note 14 – Designated Net Assets

As of December 31, 2021 and 2020, the board has designated net assets of \$89,712 and \$40,595, respectively, for future building repairs and maintenance and operational expenses.

Note 15 – Net Asset with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2021:

Subject to expenditure for specific purpose:	
Grant activities	\$ 20,909
Subject to passage of time:	
For periods after December 31, 2022	<u>47,801</u>
Total net assets with donor restrictions	<u>\$ 68,710</u>

Note 16 – Supplemental Disclosure of Cash Flows

During the year ended December 31, 2020, the Organization received donated equipment with a value of \$17,700.

Notes to Financial Statements (Continued)
Medical Outreach Ministries
Montgomery, Alabama
December 31, 2021 and 2020

Note 17 – Liquidity and Availability

As of December 31, 2021 and 2020 the Organization has \$1,202,188 and \$796,709, respectively, of financial assets available within one year of the balance sheet date to meet any need for general expenditures. The Organization is also the beneficiary of two trusts should additional funds be necessary (see Notes 5 and 6).

Note 18 – PPP Loan Forgiveness

In April 2020, the Organization received a loan of \$64,412 through the Paycheck Protection Program as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The loan is eligible for forgiveness if the funds are used for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities during the 24-week period after disbursement. As of December 31, 2020, the Organization has met the stated requirements and has recognized the full amount of the loan as loan forgiveness income on the statement of activities. The loan was fully forgiven in January 2021.

In January 2021, the Organization received a second loan of \$64,412 through the Paycheck Protection Program as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The loan is eligible for forgiveness under similar guidelines as the first. As of December 31, 2021, the loan was fully forgiven, and the Organization has recognized the full amount as loan forgiveness income on the statement of activities.

Note 19 – COVID-19 Pandemic

The Organization believes it understands the risk associated with COVID-19. The Organization has implemented risk mitigation tactics as to the impact, if any, of COVID-19 related to all aspects of the Organization’s business transactions with customers and vendors and human interaction within and outside of the Organization. The Organization was closed to in-person visits from March through October 2020 due to the pandemic and saw a significant decrease in volunteers during this time. The Organization was able to obtain COVID related funding through various grants from private and government sources. PPP loans were also secured to aid in maintaining payroll costs and certain obligations (see Note 16). An estimate of future financial impacts related to the COVID-19 pandemic cannot be made at this time.

Note 20 – New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU No. 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. ASU No. 2016-02 retains a distinction between finance leases (i.e., capital leases under current GAAP) and operating leases. The classification criteria for distinguishing between finance leases and operating leases will be substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current GAAP. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2021, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Organization is evaluating the impact of this new standard on its current policies and reporting methodologies.

Notes to Financial Statements (Continued)
Medical Outreach Ministries
Montgomery, Alabama
December 31, 2021 and 2020

Note 21 – Prior Period Adjustment

During the year ended December 31, 2021, management was made aware that the Organization was the named beneficiary of a charitable trust. A beneficial interest in this trust has been added to the statement of financial position at fair value of \$291,716 as of January 1, 2020, and a change in market value of \$35,658 has been recognized during the year ended December 31, 2020, resulting in a total change to previously stated net assets of \$329,374.

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