

Mercury One, Inc.

Financial Statements

December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mercury One, Inc.
Irving, Texas

Opinion

We have audited the accompanying financial statements of Mercury One, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Mercury One, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Statements section of our report. We are required to be independent of Mercury One, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization adopted FASB Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities 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 Mercury One, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities 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, including omissions, 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 Mercury One, Inc.'s 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 Mercury One, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with 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.



Armanino^{LLP}
Dallas, Texas

August 15, 2023

Mercury One, Inc.
Statement of Financial Position
December 31, 2022

ASSETS

Cash and cash equivalents	\$ 7,514,692
Receivable - related party - See Note 10	336,298
Contributions receivable	409,600
Prepaid and other assets	211,414
Inventory	190,822
Property and equipment, net	809,147
Operating lease right-of-use asset, net	<u>1,491,158</u>
 Total assets	 <u><u>\$ 10,963,131</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 80,212
Accrued expenses	445,145
Grants payable - related party - See Note 10	1,071,727
Operating lease obligations	<u>2,019,043</u>
Total liabilities	<u><u>3,616,127</u></u>
 Net assets	
Without donor restrictions	1,802,789
With donor restrictions	<u>5,544,215</u>
Total net assets	<u><u>7,347,004</u></u>
 Total liabilities and net assets	 <u><u>\$ 10,963,131</u></u>

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

Mercury One, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 4,529,866	\$ 10,487,144	\$ 15,017,010
Fundraising events income, net of cost of direct benefits to donors of \$40,746	273,342	-	273,342
Program revenue	97,297	-	97,297
Other income	67,930	-	67,930
Investment income, net	5,265	-	5,265
Net assets released from restriction	<u>6,840,574</u>	<u>(6,840,574)</u>	<u>-</u>
Total revenues, gains, and other support	<u>11,814,274</u>	<u>3,646,570</u>	<u>15,460,844</u>
Functional expenses			
Program services	7,682,271	-	7,682,271
Management and general	1,574,076	-	1,574,076
Fundraising	<u>2,465,761</u>	<u>-</u>	<u>2,465,761</u>
Total functional expenses	<u>11,722,108</u>	<u>-</u>	<u>11,722,108</u>
Change in net assets from operations	<u>92,166</u>	<u>3,646,570</u>	<u>3,738,736</u>
Non-operating			
Artifact acquisitions	<u>1,048,288</u>	<u>-</u>	<u>1,048,288</u>
Total non-operating	<u>1,048,288</u>	<u>-</u>	<u>1,048,288</u>
Change in net assets	(956,122)	3,646,570	2,690,448
Net assets, beginning of year	<u>2,758,911</u>	<u>1,897,645</u>	<u>4,656,556</u>
Net assets, end of year	<u>\$ 1,802,789</u>	<u>\$ 5,544,215</u>	<u>\$ 7,347,004</u>

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

Mercury One, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services			Support Services		Total
	Education	The Nazarene Fund	Humanitarian	Management and General	Fundraising	
Salaries and related						
Salaries and Wages	\$ 227,438	\$ 7,895	\$ 41,727	\$ 529,746	\$ 370,839	\$ 1,177,645
Employee Benefits	59,758	2,074	10,964	178,955	97,497	349,248
Payroll Taxes	21,259	738	3,900	49,517	34,664	110,078
Total salaries and related	<u>308,455</u>	<u>10,707</u>	<u>56,591</u>	<u>758,218</u>	<u>503,000</u>	<u>1,636,971</u>
Grants	83,299	3,156,440	2,519,050	-	-	5,758,789
Artifact acquisitions	1,048,288	-	-	-	-	1,048,288
Building rent, operations, and maintenance	478,910	1,670	7,581	101,898	73,507	663,566
Professional fees	93,964	52,948	6,195	171,759	16,491	341,357
Contract services	28,282	-	-	80,395	196,050	304,727
Information technology	28,612	921	4,870	30,999	209,959	275,361
Depreciation and amortization	186,079	645	2,940	38,511	28,562	256,737
Donation fees	7,159	18,611	37,880	176,959	4,915	245,524
Program expenses	10,198	7,643	199,415	10,000	-	227,256
Travel and transportation	173,086	443	1,278	14,386	15,700	204,893
Event expenses	38,585	-	-	1,762	159,279	199,626
Sponsorships	32,768	-	53,500	43,844	-	130,112
Printing, reproduction and copying	5,113	-	-	34,310	45,649	85,072
Promotion and advertising	820	-	-	12,265	60,277	73,362
Postage and mailing services	2,465	-	-	33,130	6,602	42,197
Insurance	7,820	-	-	24,630	-	32,450
Maintenance contracts	18,772	65	297	3,994	2,881	26,009
Dues and memberships	3,000	-	-	17,406	2	20,408
Website maintenance	7,548	-	-	872	4,916	13,336
Supplies	5,883	20	93	1,252	903	8,151
Other expenses	20,100	9	1,541	17,486	1,177,814	1,216,950
Total functional expenses	<u>2,589,206</u>	<u>3,250,122</u>	<u>2,891,231</u>	<u>1,574,076</u>	<u>2,506,507</u>	<u>12,811,142</u>
Less: cost of direct benefit to donors	-	-	-	-	(40,746)	(40,746)
Less: artifact acquisition expense	<u>(1,048,288)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,048,288)</u>
	<u>\$ 1,540,918</u>	<u>\$ 3,250,122</u>	<u>\$ 2,891,231</u>	<u>\$ 1,574,076</u>	<u>\$ 2,465,761</u>	<u>\$ 11,722,108</u>

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

Mercury One, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities	
Change in net assets	\$ 2,690,448
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	256,737
Net realized and unrealized gain on investments	(992)
Acquisition of collection items	1,048,288
Amortization of operating lease right-of-use assets	412,247
Changes in operating assets and liabilities	
Contributions receivable	(409,311)
Prepaid expenses and other assets	36,373
Inventory	49,158
Accounts payable	9,254
Accrued expenses	218,633
Grants payable - related party - See Note 10	(20,230,093)
Operating lease liabilities	<u>(528,832)</u>
Net cash used in operating activities	<u>(16,448,090)</u>
Cash flows from investing activities	
Accounts receivable - related party - See Note 10	301,532
Proceeds from sale of investments	16,712
Acquisition of collection items	<u>(1,048,288)</u>
Net cash used in investing activities	<u>(730,044)</u>
Net decrease in cash	(17,178,134)
Cash, beginning of year	<u>24,692,826</u>
Cash, end of year	<u><u>\$ 7,514,692</u></u>

Supplemental schedule of noncash investing and financing activities

Operating lease right-of-use assets through adoption of ASC 842	\$ 1,903,405
Operating lease liabilities through adoption of ASC 842	\$ (2,547,875)

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

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

1. NATURE OF OPERATIONS

Mercury One, Inc. (the "Organization") is a not-for-profit organization whose mission and principal activities are humanitarian aid and education focused on restoring the human spirit. The Organization's initiatives include providing programs to individuals to advance the skills, knowledge and attitudes necessary for communities to help themselves as well as assisting our nation's veterans, providing aid to those in crisis and rebuilding and restoring the lives of Christians, and other persecuted religious minorities around the world. The American Journey Experience is a state-of-the-art museum and research library focusing on American history that provides tours and educational programs. The Organization's support and revenues are derived principally from contributions and program income, and its activities are conducted principally in the Irving, Texas area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include determining the useful lives of property and equipment for purposes of determining depreciation and amortization as well as allocating expenses by function. Actual results could differ from those estimates.

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. The Organization's governing board may designate net assets without restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions that will be met by expenditure in accordance with the donors' requests and/or the passage of time. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. The carrying value of cash equivalents approximates fair value because of the short-term maturities of those financial instruments.

The Organization places its cash, which at times, may exceed federally insured limits with high quality financial institutions. The Organization has not experienced any losses on such amounts.

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivable - related party

Accounts receivable are stated at the amount of consideration from employees, etc., of which the Organization has an unconditional right to receive. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. No allowance was recorded for the year ended December 31, 2022.

Prepaid expenses and other assets

Prepaid expenses and other assets consist of amounts paid in advance for items that have not been received or services that have not yet occurred as of December 31, 2022.

Inventory

Inventories consist of coffee mugs, books, jewelry and apparel merchandise. Costs are determined using the first-in, first-out (FIFO) method. FIFO inventories are stated at the lower of cost and net realizable value.

Contributions and contributions receivable

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivable (continued)

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. At December 31, 2022, the Organization's contributions receivable balance consists of one gift of \$409,600 and is receivable in monthly installments through 2024. No discount has been applied as it is deemed immaterial to the financial statements as a whole.

When a donor stipulated time restriction ends or purpose 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, building, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction. No conditional contributions exist as of December 31, 2022.

Property and equipment

Property and equipment acquisitions over \$5,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Life of lease
Furniture and fixtures	3 - 40 years
Automobiles	5 years

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Collections

Collections of works of art, historical treasures and similar assets are not capitalized in as much as the items are preserved and cared for continuously. Purchases of collection items are reported in the year of acquisition as decreases in net assets without donor restriction, or in net assets with donor restriction if the assets used to purchase the items were restricted to that use by donor stipulation. Contributions of collection items are not reported in the financial statements. Proceeds from disposal of and insurance recoveries related to collection items are reported as increases in the appropriate net asset classes. The Organization's collections consist of historical artifacts.

The Organization has a policy that requires the use of proceeds from items that are sold to be used for the acquisition of new collection items, the direct care of existing collections or both. Direct care generally includes traditional maintenance, handling, labeling, housing and support, housekeeping, environmental control, conservation, integrated pest management, emergency planning, mitigation and response, health and safety, security, and insurance.

During the year ended December 31, 2022, the Organization acquired historical artifacts for a total cost of \$1,048,288. During the same period, the Organization received donated historical artifacts valued at approximately \$250,000. No collection items were sold or removed in 2022. The estimated value of the collection approximates \$7,088,031 at December 31, 2022.

Fundraising events income

The Organization conducts fundraising events, including auctions, raffles, and gala. Event tickets, sponsorships, raffle ticket sales, and auction revenue are included in fundraising events income. In addition, contributions raised in conjunction with events are included in fundraising events income. The cost of direct benefit to donors that the participant receives at such events is presented on the statement of activities as a reduction to fundraising events income.

In-kind contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of donated stock, auction items and historical artifacts from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, when appropriate, and similarly increase contribution revenue by a like amount. For the year ended December 31, 2022, the Organization received in-kind contributions of investment securities with a fair value of \$47,384 and donated auction items with a fair value of \$104,011, which are included in contributions in the accompanying statement of activities. The Organization did not receive any other material in-kind donations requiring recognition.

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the direct method, time and effort, square footage and other methods. Depreciation and facilities maintenance are allocated based on estimated square footage used. Allocation of personnel expenses are based upon employee's time and effort.

The primary programs are:

Education - to educate, enlighten, inspire and engage all Americans and people seeking information about the birth, background, history, and unfolding of America's journey.

The Nazarene Fund - to liberate the captive, to free the enslaved, and to rescue, rebuild and restore the lives of Christians and other persecuted religious and ethnic minorities wherever and whenever they are in need.

Humanitarian - to provide relief for people impacted by natural disasters such as tornadoes, hurricanes and wildfires as part of the Organization's effort to restore the human spirit.

Income tax status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income and files tax returns in the U.S. federal jurisdiction.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated its current tax positions and has concluded that as of December 31, 2022, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Subsequent events

The Organization has evaluated subsequent events for recognition or disclosure through August 15, 2023, the date on which the financial statements were available to be issued. Subsequent to year end, the related party receivable of \$335,000 (see Note 10), was paid off in full.

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standards Codification ("ASC") 842, Leases, "ASC 842") to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. The lease liability should be initially measured at the present value of the remaining contractual lease payments. Subsequently, the ROU assets will be amortized generally on a straight-line basis over the lease term, and the lease liability will bear interest expense and be reduced for lease payments. ASC 842 is effective for the Organization for fiscal years beginning after December 15, 2021. The Organization adopted ASC 842 on January 1, 2022 using the modified retrospective approach electing to exercise the practical expedient to not restate comparative periods in the period of adoption. The Organization recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available.

As a result of the adoption of the new lease accounting guidance, the Organization recognized operating lease liabilities amounting to \$2,547,875 and operating lease ROU assets amounting to \$1,903,405 as of January 1, 2022, based on the remaining lease terms and discounted using either the rate implicit in the lease, if known, or a risk-free rate.

3. CONTRIBUTIONS RECEIVABLE

A summary of contributions receivable is as follows:

Due in less than one year	\$ 240,000
Due in two years	<u>169,600</u>
	<u>\$ 409,600</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 1,235,619
Furniture and fixtures	287,379
Software	<u>53,867</u>
	1,576,865
Accumulated depreciation	<u>(767,718)</u>
	<u>\$ 809,147</u>

Depreciation expense of property and equipment totaled \$236,063 for the year ended December 31, 2022.

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

5. RIGHT-OF-USE LEASE ASSET AND LESSEE OBLIGATIONS

Effective October 25, 2019, the Organization entered into a lease agreement for office space beginning February 1, 2020, for a seventy-seven-month term through 2026. Lease expenses associated with the lease was \$440,008 during the year ended December 31, 2022 and is included in building, rent, operations, and maintenance in the accompanying statement of functional expense. There was an initial security deposit of approximately \$57,000 associated with the lease agreement.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending December 31,</u>	
2023	\$ 574,653
2024	587,518
2025	602,979
2026	<u>305,355</u>
	2,070,505
Less: imputed interest	<u>(51,462)</u>
	<u><u>\$ 2,019,043</u></u>

A summary of the remaining lease term and discount rate is as follows:

Weighted-average lease discount rate	1.46%
Weighted-average remaining lease term in years	3.5

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Humanitarian Aid - Disaster Relief	\$ 2,059,929
Humanitarian Aid	1,601,364
Nazarene Fund Global	900,161
Nazarene Fund 1.0	560,895
Time restricted	409,600
Humanitarian Aid- Israel	10,798
Humanitarian Aid - border relief	1,154
Humanitarian Aid - Veterans	<u>314</u>
	<u><u>\$ 5,544,215</u></u>

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

6. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

Expiration of time restrictions, no purpose	<u>\$ 90,689</u>
Satisfaction of purpose restrictions	
Education	851,102
Nazarene Fund Global	3,235,126
Nazarene Fund 1.0	959
Humanitarian Aid	1,326,333
Humanitarian Aid - Disaster Relief	<u>1,336,365</u>
Total satisfaction of purpose restrictions	<u>6,749,885</u>
	<u>\$ 6,840,574</u>

7. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022, are comprised of the following:

Financial assets:	
Cash and cash equivalents	\$ 7,514,692
Receivable - related party - See Note 10	336,298
Contributions receivable	<u>409,600</u>
	<u>8,260,590</u>
Less: donor-imposed restricted net assets unavailable for general expenditure within one year	
Net assets subject to expenditure for specified purpose	(5,134,615)
Net assets subject to time restriction	<u>(169,600)</u>
	<u>(5,304,215)</u>
	<u>\$ 2,956,375</u>

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended December 31, 2022, restricted contributions of \$240,000 were included in financial assets available to meet cash needs for general expenditures within one year as their time restrictions are set to be met in full in the following year and the funds are available for operations.

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

7. LIQUIDITY AND AVAILABILITY (continued)

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 180 days, or six months operating expenses. The Organization has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board (financial assets available for use within next year) carry over \$1,000,000 to the next year to meet 90 to 120 days, or three to four months, of expected expenditures. To achieve these targets, the Organization reviews program Fund Balances on a monthly basis (which includes separating donor restricted funds from general funds), forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the year ended December 31, 2022, the level of liquidity and reserves were managed within the policy requirements.

8. RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code in which all employees who have completed ninety days of service are eligible to participate. The plan document was executed May 17, 2017. Employees may make voluntary contributions to the plan, which are matched by the Organization up to three percent of compensation. Vesting of employer matching is a four-tiered step, with vesting increments of 25% for each year of service. The Organization's total contributions to the plan was \$11,717 for the year ended December 31, 2022.

9. CONCENTRATIONS AND COMMITMENTS

Contribution receivable

Contributions receivable represents a concentration of credit risk to the extent that the entire receivable of \$409,600 outstanding at the end of the year is from one established donor.

Receivable - related party

Accounts receivable - related party balance is 99% from one related party and payment was received in 2023. See more information at Note 10.

Purchase agreement

The Organization entered into an agreement effective December 17, 2020, to purchase collection objects for a total of \$2,750,000. Under the terms of the agreement, the Organization shall pay an initial payment of \$100,000 upon signing, and the remaining balance in thirty-five equal monthly installments of \$75,714. The agreement may be cancelled at any time by either party, with prorated amounts due by the Organization and any amounts above and beyond to be refunded. Early payment is permitted. As of December 31, 2022, the Organization had paid \$1,917,139 under the terms of the agreement.

Mercury One, Inc.
Notes to Financial Statements
December 31, 2022

10. RELATED PARTY

The Organization and Nazarene Fund Inc. (TNF) are financially interrelated organizations and have entered into a Memorandum of Understanding (MOU) to grant assets raised by the Organization to operate TNF's program in accordance with donor intentions. TNF's program provides support to persecuted Christians and other minorities around the globe. The assets granted by the Organization are funds raised by the Organization for The Nazarene Fund program (see Note 2). The MOU is not a legally binding pledge and the Organization retains variance power over all contributions raised to be granted in accordance with the original donor intent.

A condensed statement of financial position for TNF is presented below:

Total assets	<u>\$ 21,781,728</u>
Total liabilities	\$ 245,699
Total net assets	<u>21,536,029</u>
Total liabilities and net assets	<u>\$ 21,781,728</u>

TNF's revenue and expenses for the year ended December 31, 2022, are \$25,037,683 and \$7,926,622, respectively.

During the year ended December 31, 2022, the Organization granted \$3,235,126 to TNF and is included in The Nazarene Fund program in the accompanying statement of functional expenses. Of this amount, \$1,071,727 is included in grants payable - related party in the accompanying statement of financial position at December 31, 2022.

During the year ended December 31, 2022, the Organization purchased artifacts that were determined to be a better addition to the related party's collection rather than the collection of the museum. The arm's length transaction totaled \$335,000 with the intent of the Organization being paid back to the Organization within one year. This amount is included in accounts receivable-related party as of December 31, 2022 and payment was received subsequent to year end.