



MERCY SHIPS AND AFFILIATES

Consolidated and Combined
Financial Statements
With Independent Auditors' Report

December 31, 2023 and 2022

MERCY SHIPS AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mercy Ships and Affiliates
Lindale, Texas

Opinion

We have audited the accompanying consolidated and combined financial statements of Mercy Ships and Affiliates, which comprise the consolidated and combined statement of financial position as of December 31, 2023, and the related consolidated and combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements.

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the consolidated and combined financial position of Mercy Ships and Affiliates as of December 31, 2023, and the changes in its consolidated and combined 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 *Auditors' Responsibilities for the Audit of the Consolidated and Combined Financial Statements* section of our report. We are required to be independent of Mercy Ships and Affiliates and to meet our other 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.

Responsibilities of Management for the Consolidated and Combined Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and combined 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 consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors
Mercy Ships and Affiliates
Lindale, Texas

Auditors' Responsibility for the Audit of the Consolidated and Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated and combined 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 consolidated and combined 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 consolidated and combined 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 Mercy Ships and Affiliate'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 consolidated and combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mercy Ships and Affiliate'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.

Report on Summarized Comparative Information

We have previously audited Mercy Ships and Affiliates' 2022 consolidated and combined financial statements, and we expressed an unmodified audit opinion on those audited consolidated and combined financial statements in our report dated June 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated and combined financial statements from which it has been derived.

Capin Crouse LLP

Irving, Texas
June 14, 2024

MERCY SHIPS AND AFFILIATES

Consolidated and Combined Statement of Financial Position

December 31, 2023

With Summarized Financial Information for December 31, 2022

	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 61,656,413	\$ 92,453,006
Cash held for others—ship bank	1,991,183	1,933,254
Investments	126,775,847	64,774,956
Pledges receivable—net	10,747,138	23,823,063
Other receivables	11,822,943	4,948,501
Inventory	11,918,137	10,331,534
Prepaid expenses and other assets	4,618,459	4,581,882
Property and equipment—net	175,452,656	180,768,049
Total Assets	\$ 404,982,776	\$ 383,614,245
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,824,018	\$ 11,685,766
Ship bank payable	1,991,183	1,933,254
Other liabilities	2,254,973	2,146,813
Total liabilities	18,070,174	15,765,833
Net assets:		
Net assets without donor restrictions	370,759,220	328,450,702
Net assets with donor restrictions:		
Restricted by purpose or time	14,966,382	38,210,710
Restricted in perpetuity	1,187,000	1,187,000
	16,153,382	39,397,710
Total net assets	386,912,602	367,848,412
Total Liabilities and Net Assets	\$ 404,982,776	\$ 383,614,245

See notes to consolidated and combined financial statements

MERCY SHIPS AND AFFILIATES

Consolidated and Combined Statement of Activities

For the Year Ended December 31, 2023
With Summarized Financial Information for the Year Ended December 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2023 Total	2022 Total
SUPPORT AND REVENUE:				
Contributions of financial assets	\$ 86,752,183	\$ 69,200,222	\$ 155,952,405	\$ 178,738,863
Contributions of financial assets for staff support	3,589,147	-	3,589,147	3,400,969
Contributions of nonfinancial assets—goods	9,221,098	-	9,221,098	7,347,486
Contributions of nonfinancial assets—services	26,327,811	-	26,327,811	22,635,340
Fee revenue	34,404	-	34,404	34,448
Investment income—net	14,956,576	5,480	14,962,056	(6,484,172)
Sales and other revenue	4,159,844	-	4,159,844	3,418,860
Loss from translation adjustments	(408,283)	-	(408,283)	(1,509,439)
Total Support and Revenue	144,632,780	69,205,702	\$ 213,838,482	207,582,355
NET ASSETS RELEASED:				
Purpose restrictions	92,450,030	(92,450,030)	-	-
EXPENSES:				
Program services:				
Ship and field operations	146,544,334	-	146,544,334	125,117,644
Supporting activities:				
General and administrative	18,297,391	-	18,297,391	14,101,483
Fundraising	30,917,944	-	30,917,944	27,242,633
	49,215,335	-	49,215,335	41,344,116
Total Expenses	195,759,669	-	195,759,669	166,461,760
Change in Net Assets Before Change in Cumulative Translation Adjustments	41,323,141	(23,244,328)	18,078,813	41,120,595
Cumulative Translation Adjustments	985,377	-	985,377	(657,906)
Change in Net Assets	42,308,518	(23,244,328)	19,064,190	40,462,689
Net Assets, Beginning of Year	328,450,702	39,397,710	367,848,412	327,385,723
Net Assets, End of Year	\$ 370,759,220	\$ 16,153,382	\$ 386,912,602	\$ 367,848,412

See notes to consolidated and combined financial statements

MERCY SHIPS AND AFFILIATES

Consolidated and Combined Statement of Functional Expenses

For the Year Ended December 31, 2023

	Program		Supporting Activities		Total Expenses
	Ship and Field Operations	General and Administrative	Fundraising	Fundraising	
Advertising and marketing	\$ 8,655,226	\$ 1,634,560	\$ 10,556,278	\$ 20,846,064	
Auto expense	615,136	46,199	42,486	703,821	
Conference, seminar, and trade shows	84,447	35,213	69,253	188,913	
Contract labor	18,694,026	2,662,469	3,097,572	24,454,067	
Contributed salary expense	26,333,814	-	-	26,333,814	
Cost of goods sold	142,135	-	-	142,135	
Depreciation	11,350,124	101,205	90,802	11,542,131	
Distributed inventory	8,567,189	121,920	-	8,689,109	
Dry docking and related expenses	7,198,080	-	-	7,198,080	
Food purchases	1,857,152	61,764	851	1,919,767	
Freight and customs	1,204,123	24,580	24,542	1,253,245	
Fuel and lube oil	7,518,272	840	-	7,519,112	
Gift expense—other charities	506,637	31,505	51,724	589,866	
Insurance	1,294,458	139,896	14,192	1,448,546	
Interest	51,436	46,921	51,576	149,933	
Legal and professional fees	171,548	103,529	110,079	385,156	
Meals and entertainment	261,014	29,199	34,259	324,472	
Miscellaneous	1,731,298	588,486	479,153	2,798,937	
Postage and printing	1,719,823	612,084	7,267,919	9,599,826	
Rents	873,851	237,505	870,255	1,981,611	
Repairs and maintenance	2,548,811	140,671	-	2,689,482	
Service charges	-	1,693,006	-	1,693,006	
Small equipment and furniture	3,947,995	266,115	21,301	4,235,411	
Staff support and expenses	30,718,162	8,553,760	7,180,559	46,452,481	
Supplies	4,435,744	485,259	198,290	5,119,293	
Taxes and fees	73,929	8,093	11,743	93,765	
Telecommunications	1,037,439	27,749	22,351	1,087,539	
Travel	4,406,285	558,381	690,212	5,654,878	
Utilities	546,180	86,482	32,547	665,209	
Total Expenses	\$ 146,544,334	\$ 18,297,391	\$ 30,917,944	\$ 195,759,669	

See notes to consolidated and combined financial statements

MERCY SHIPS AND AFFILIATES

Consolidated and Combined Statement of Functional Expenses

December 31, 2022

	Program		Supporting Activities		Total Expenses
	Ship and Field Operations	General and Administrative	Fundraising	Fundraising	
Advertising and marketing	\$ 7,267,479	\$ 1,345,086	\$ 9,580,903	\$ 18,193,468	
Auto expense	682,661	26,297	27,956	736,914	
Conference, seminar, and trade shows	332,582	21,424	56,315	410,321	
Contract labor	16,492,056	2,333,032	2,302,353	21,127,441	
Contributed salary expense	22,635,340	-	-	22,635,340	
Cost of goods sold	266,768	33,089	3,986	303,843	
Depreciation	10,289,002	67,063	76,186	10,432,251	
Distributed inventory	8,297,026	178,750	87	8,475,863	
Dry docking and related expenses	2,782,378	-	-	2,782,378	
Food purchases	2,503,402	49,771	1,191	2,554,364	
Freight and customs	1,205,181	21,511	28,605	1,255,297	
Fuel and lube oil	2,622,488	691	27	2,623,206	
Gift expense—other charities	1,364,963	18,970	18,920	1,402,853	
Insurance	1,288,798	127,036	12,229	1,428,063	
Interest	57,804	13,940	66,413	138,157	
Legal and professional fees	182,862	79,036	109,566	371,464	
Meals and entertainment	330,183	20,075	26,482	376,740	
Miscellaneous	1,814,004	290,034	421,528	2,525,566	
Postage and printing	1,696,303	556,820	6,934,709	9,187,832	
Rents	1,145,836	181,893	781,116	2,108,845	
Repairs and maintenance	3,108,941	139,215	25,012	3,273,168	
Service charges	-	1,329,537	-	1,329,537	
Small equipment and furniture	2,201,046	98,755	19,766	2,319,567	
Staff support and expenses	24,774,186	6,440,927	6,044,115	37,259,228	
Supplies	5,043,633	360,605	116,108	5,520,346	
Taxes and fees	91,349	10,135	6,364	107,848	
Telecommunications	1,358,521	28,266	19,693	1,406,480	
Travel	4,475,293	253,115	528,472	5,256,880	
Utilities	807,559	76,410	34,531	918,500	
Total Expenses	\$ 125,117,644	\$ 14,101,483	\$ 27,242,633	\$ 166,461,760	

See notes to consolidated and combined financial statements

MERCY SHIPS AND AFFILIATES

Consolidated and Combined Statement of Cash Flows

For the Year Ended December 31, 2023
With Summarized Financial Information for the Year Ended December 31, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 19,064,190	\$ 40,462,689
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,542,131	10,432,251
Extinguishment of debt	-	-
Net realized and unrealized (gains) losses on investments	(12,780,148)	8,542,713
Gain on sale of property and equipment	-	-
Loss from translation adjustments	(985,377)	657,906
Changes in operating assets and liabilities:		
Pledges receivable	13,075,925	(22,648,761)
Other receivables	(6,874,442)	540,222
Inventory	(1,586,603)	(4,169,409)
Prepaid expenses and other assets	(36,577)	110,395
Accounts payable and accrued expenses	2,138,252	3,647,340
Ship bank payable	57,929	376,064
Other liabilities	108,160	76,347
Net Cash Provided by Operating Activities	23,723,440	38,027,757
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(84,259,459)	(29,780,892)
Sale of investments and CDs	35,167,180	5,350,589
Purchases of property and equipment	(6,226,738)	(8,413,954)
Net Cash Used by Investing Activities	(55,319,017)	(32,844,257)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions for long-term purposes	-	9,512,648
Net Cash Provided by Financing Activities	-	9,512,648
Effect of Exchange Rate Changes on Cash	985,377	(657,906)
Change in Cash, Cash Equivalents and Cash Held for Long-term Purposes	(30,610,200)	14,038,242
Cash and Cash Equivalents, Beginning of Year	94,257,796	80,219,554
Cash and Cash Equivalents, End of Year	\$ 63,647,596	\$ 94,257,796

See notes to consolidated and combined financial statements

MERCY SHIPS AND AFFILIATES

Consolidated and Combined Statement of Cash Flows

For the Year Ended December 31, 2023
With Summarized Financial Information for the Year Ended December 31, 2022

	<u>2023</u>	<u>2022</u>
The following table provides a reconciliation of cash and cash equivalents,		
Cash and cash equivalents	\$ 61,656,413	\$ 92,453,006
Cash held for others—ship bank	<u>1,991,183</u>	<u>1,933,254</u>
	<u>\$ 63,647,596</u>	<u>\$ 94,386,260</u>

See notes to consolidated and combined financial statements

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

1. NATURE OF ORGANIZATION:

Mercy Ships (the Organization) is a ship-based international health care organization that follows the 2000 year old model of Jesus, bringing hope and healing to the world's underserved poor by mobilizing people and resources worldwide. Through its hospital ships and related healthcare and capacity building programs and partnerships, the Organization provides surgical interventions, training and capacity building, and other healthcare services without regard to ethnicity, gender, political affiliation, or religious preference.

The financial statements are referred to as consolidated and combined financial statements on the cover page as well as the opinion. Consolidated and combined information is reflected in all other references to the following statements or items: financial statements, statements of financial position, statements of activities, statements of functional expenses, statements of cash flows, and notes to financial statements. If any of these statements are not consolidated or combined, they will be identified accordingly. In addition, all references to Mercy Ships on these statements are a reflection of Mercy Ships and Affiliates, unless otherwise identified.

PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the accounts of Mercy Ships, Mercy Ships Community of Faith, LLC, and Mercy Ships International, all Texas nonprofit corporations, Africa Mercy-Malta Ltd which is a Maltese corporation, and Global Mercy Shipping Ltd., a Marshall Islands corporation. These affiliates are under common control as defined by accounting principles generally accepted in the United States of America and are consolidated in the financial statements.

PRINCIPLES OF COMBINATION

The accompanying financial statements also include the accounts of Mercy Ships Foundation, a Texas nonprofit, Mercy Ships Australia Ltd., an Australian nonprofit limited by Guarantee, Mercy Ships Belgium VZW, a Belgium nonprofit corporation, Mercy Ships Deutschland e.V., a German nonprofit corporation, Stichting Mercy Ships Holland, a Netherlands charitable organization, Foundation Mercy Ships-Norge, a Norwegian nonprofit corporation, Mercy Ships Sweden, a Fundraising Foundation, Association Mercy Ships, a Swiss nonprofit, Mercy Ships Global Association, a Swiss nonprofit association and Mercy Ships-U.K. Ltd., a U.K. nonprofit limited by Guarantee. All of these affiliates operate independently with their own separate boards of directors and work together collaboratively to achieve their respective charitable purposes. The Mercy Ships International board is a collaborative board that includes representatives from both the consolidated and combined affiliates. This board does not control any one affiliate but rather works collaboratively with them to ensure that their respective charitable programs are carried out in a consistent and coordinated manner with those of Mercy Ships International and one another, subject to the applicable laws of their originating jurisdictions. Due to lack of common board control, these affiliates are not consolidated with Mercy Ships International. However, given the collaborative nature of this structure, these affiliates are included in these financial statements on a combined basis.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

1. NATURE OF ORGANIZATION, continued:

The consolidated and combined affiliates (collectively, Mercy Ships) are part of the consolidated and combined financial statements. All material intercompany accounts and transactions have been eliminated in the consolidated and combined financial statements. The following affiliates have been excluded from the financial statements, due to immateriality: Mercy Ships Canada Society, a Canadian nonprofit corporation, Mercy Ships Denmark, Mercy Ships France, Mercy Ships Korea, Mercy Ships New Zealand, Mercy Ships South Africa, and Mercy Ships Spain. Mercy Ships provides funds for and receives funds from the non-combined organizations. The related revenues from and expenditures with these organizations are netted in the consolidated and combined statement of activities within sales and other revenue.

The consolidated affiliates of Mercy Ships are nonprofit religious organizations under Section 501(c)(3) of the Internal Revenue Code (the Code) and are publicly supported organizations under Sections 170(b)(1) and 509(a) of the Code. They are not considered to be private foundations under Section 509(a) of the Code.

The combined affiliates of Mercy Ships that are organized and operating outside of the United States are tax-exempt based on the various laws of the country in which they operate. These affiliates are generally not subject to any Federal or State income tax including any tax liabilities due to unrelated business income.

2. SIGNIFICANT ACCOUNTING POLICIES:

Mercy Ships maintains its accounts and prepares its consolidated and combined financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of the consolidated and combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated and combined financial statements, and the reported revenues and expenses during the reporting periods. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated and combined financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and money market accounts. Mercy Ships considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 2023 and 2022, Mercy Ship's cash balances exceeded federally insured limits by approximately \$55,400,000 and \$43,000,000, respectively. Mercy Ships purchased investments during the years ended December 31, 2023 and 2022, to mitigate credit risk.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH HELD FOR OTHERS—SHIP BANK

Mercy Ships maintains a bank on board its ship for the convenience of its crew members. The funds are shown separately on the consolidated and combined statements of financial position. Accordingly, a corresponding liability, ship bank payable, is recorded on the consolidated and combined statements of financial position.

INVESTMENTS

Mercy Ships' investment portfolio consists of corporate and government bonds and mutual funds which are carried at fair value. Mercy Ships considers cash held at cost in investments accounts to be investments. Gains and losses on investments are recorded in the consolidated and combined statements of activities as increases in net assets without donor restrictions, unless their use is restricted by donor stipulation. Donated investments are recorded at fair value at the date of donation.

OTHER RECEIVABLES

Other receivables consist primarily of estate gifts receivable, grants receivable from affiliate organizations, and other small trade receivables occurring during the course of business. As the trade receivables are not a material balance, the associated disclosures on evaluation of collectability have been omitted from these consolidated and combined financial statements.

INVENTORY

Inventory consists primarily of medical supplies, food, fuel, and lubricating oil. If purchased, these items are stated at the lower of cost or net realizable value on the first-in, first-out basis. If donated, items are valued at the lower of their estimated fair market values as of the date of receipt or current market value. As of December 31, 2023 and 2022, management determined no allowance for obsolete inventory was needed for the inventory on-hand.

PROPERTY AND EQUIPMENT—NET

Land, buildings, and equipment are stated at cost, or if donated, at fair value as of the date of the gift. Purchases or donations in excess of \$25,000 are capitalized with lesser amounts expensed. All capital assets, other than land, are depreciated using the straight-line method with useful lives ranging from 3-25 years. Assets not placed into service consist of capital expenditures for the new ship that are currently not being depreciated; however, will be depreciated based on the Organization's depreciation policy once these assets are operable.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The following classes of net assets are maintained:

Net assets without donor restrictions include those currently available at the discretion of Mercy Ships' board of directors for use in its associated ministries and those resources invested in property and equipment, net of any related debt.

Net assets with donor restrictions include assets of Mercy Ships related to gifts with explicit donor-imposed restrictions that have not been met as to the specified purpose or to later periods of time or after specified dates. These include donor restrictions requiring that net assets be held in perpetuity with use of all or part of the income earned on related investments for specific purposes.

The management of Mercy Ships has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Mercy Ships classifies as net assets with donor restrictions in perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Mercy Ships in a manner consistent with the standard prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, Mercy Ships considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Mercy Ships and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Mercy Ships
7. The investment policies of Mercy Ships

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Mercy Ships reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the associated net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated and combined statements of activities as satisfaction of purpose restrictions. Support for Mercy Ships is primarily derived from contributions from individuals, church congregations, and corporations.

Fee revenue, sales, and other revenue are recognized when earned. Fee revenue received in advance of the goods and services being provided, are recorded as deferred revenue. Expenses are reported when costs are incurred in accordance with the accrual basis of accounting.

CONTRIBUTIONS OF NONFINANCIAL ASSETS

Mercy Ships receives various donated products such as medical and pharmaceutical supplies, and food to supply the ship. The products are donated primarily by corporations. The receipt of donated products by Mercy Ships is reflected as gift-in-kind contributions and the distribution is reflected as distributed inventory. The donated products are valued in a manner consistent with Association of Evangelical Relief and Development Organizations Interagency Gift-in-Kind Standards.

Contributed services are recognized if the services received require specialized skills or certifications that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Mercy Ships also receives contributed services related to ship berthing within the ports. Due to such services not meeting the requirement for recording under GAAP, these contributed services are not included within the consolidated and combined statements of activities.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS OF NONFINANCIAL ASSETS, continued:

For the year ended December 31, contributed nonfinancial assets recognized within the consolidated and combined statement of activities included:

	Year Ended December 31,	
	2023	2022
Without donor restrictions:		
Goods:		
Fuel	\$ -	\$ 817,675
Marine operations	58,587	-
Information systems	599,317	718,614
Medical supplies	5,230,181	3,542,586
General supplies	3,333,013	2,268,611
	<u>9,221,098</u>	<u>7,347,486</u>
Services—professional and medical	<u>26,327,811</u>	<u>22,635,340</u>
Total contributions of nonfinancial assets	<u>\$ 35,548,909</u>	<u>\$ 29,982,826</u>

All of the gift-in-kind contributions reflected in the consolidated and combined statements of activities for the years ended December 31, 2023 and 2022, were used 100% by Mercy Ships in its own programs in both years. There were no donor restrictions on the contributions of nonfinancial assets for either year ended December 31, 2023 and 2022.

Contributed goods are recorded at the fair market value at the time of donation and fair value is determined by evaluation of market prices. Contributed services are recorded at the market value of the services provided.

ADVERTISING AND PROMOTIONAL COSTS

Advertising and promotional costs are expensed when they are incurred. Mercy Ships expended approximately \$20,846,000 and \$18,193,000 promoting its mission for the years ended December 31, 2023 and 2022, respectively.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated and combined statements of activities. Accordingly, certain costs such as depreciation and salaries have been allocated among the program services and supporting activities benefited. The consolidated and combined statements of functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation expense and utilities that are based on square footage, as well as salaries and benefits which are allocated based on estimates of time and effort.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects Mercy Ship's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the governing board has set aside the funds for specific contingency reserves and projects or a long-term investment as board-designated endowments.

	December 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 61,656,413	\$ 92,453,006
Cash held for others—ship bank	1,991,183	1,933,254
Investments	126,775,847	64,646,492
Other receivables	11,822,943	4,948,501
Pledges receivable—net	10,747,138	23,823,063
Financial assets, at year-end	<u>212,993,524</u>	<u>187,804,316</u>
Less those unavailable for general expenditure within one year:		
Cash held for others—ship bank	(1,991,183)	(1,933,254)
Pledges receivable, expected to be collected in more than one year	(5,299,859)	(7,704,456)
Pledges receivable, restricted for capital projects	-	(1,516,111)
Donor-restricted endowment	(1,187,000)	(1,187,000)
Unappropriated endowment income	(109,025)	(103,545)
Board reserves	(25,200,000)	(23,975,000)
Unavailable	<u>(33,787,067)</u>	<u>(36,419,366)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 179,206,457</u>	<u>\$ 151,384,950</u>

At December 31, 2023 and 2022, approximately \$8,000,000 and \$22,000,000, respectively, of the outstanding pledge balance was internally designated by management for long-term use to build operational reserves.

As part of the Mercy Ships' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Mercy Ships has a line of credit for \$5,000,000 which expires June 30, 2025. The balance on the line of credit at December 31, 2023, was \$0. This line could be used to fund operations if required.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Investments consist of the following:

	December 31,	
	2023	2022
Cash, at cost	\$ 1,574,549	\$ 885,803
Government bonds, at fair value	51,367,190	5,403,982
Corporate bonds, at fair value	68,587,250	8,370,909
Mutual funds, at fair value	5,246,858	50,114,262
	<u>\$ 126,775,847</u>	<u>\$ 64,774,956</u>

The disclosure of the estimated fair value of financial investments at December 31, 2023 and 2022, is made in accordance with the requirements of the *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification. Mercy Ships' investments consist of bonds, mutual funds, and certain cash held in the investment account. The fair value of these financial instruments is based on yields currently available on comparable securities of issuers with similar credit ratings.

Mercy Ships uses appropriate valuation techniques to determine fair value based on inputs available. When available, Mercy Ships measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 inputs indicate there is a quoted market price available for identical assets. Level 2 inputs indicate there are market prices available for similar assets. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available and indicate there are not readily available market prices. Government and corporate bonds, while identified as a Level 2 investment, can be liquidated within a few days to provide cash flow for Mercy Ships.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

The following tables present the fair value measurements of investments recognized in the accompanying consolidated and combined statements of financial position measured at fair value on a recurring basis, and are investments within the fair value hierarchy at December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Government bonds	\$ -	\$ 51,367,190	\$ 51,367,190
Corporate bonds	-	68,587,250	68,587,250
Mutual funds	5,246,858	-	5,246,858
	<u>\$ 5,246,858</u>	<u>\$ 119,954,440</u>	125,201,298
Reconciling items:			
Cash, at cost			<u>1,574,549</u>
			<u>\$ 126,775,847</u>

Investments within the fair value hierarchy at December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Government bonds	\$ -	\$ 5,403,982	\$ 5,403,982
Corporate bonds	-	8,370,909	8,370,909
Mutual funds	50,114,262	-	50,114,262
	<u>\$ 50,114,262</u>	<u>\$ 13,774,891</u>	63,889,153
Reconciling items:			
Cash, at cost			<u>885,803</u>
			<u>\$ 64,774,956</u>

Investment income consists of:

	<u>Year Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Net realized and unrealized gains (losses)	\$ 12,780,148	\$ (8,542,713)
Investment income	<u>2,181,908</u>	<u>2,058,541</u>
Total investment income, net	<u>\$ 14,962,056</u>	<u>\$ (6,484,172)</u>

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

5. PLEDGES RECEIVABLE—NET:

Pledges receivable—net, consist of:

	December 31,	
	2023	2022
Due in less than one year	\$ 6,343,647	\$ 17,254,095
Due in one to five years	5,299,861	8,000,598
Due in more than five years	400,000	-
	<u>12,043,508</u>	<u>25,254,693</u>
Less present value discount	(730,731)	(177,785)
Less allowance for uncollectible promises	<u>(565,639)</u>	<u>(1,253,845)</u>
	<u><u>\$ 10,747,138</u></u>	<u><u>\$ 23,823,063</u></u>

During 2022, Mercy Ships received a matching grant of \$18,000,000. As of December 31, 2023, Mercy Ships met the conditions of the matching grant and the remaining balance of the matching gift is included in pledges receivable. At December 31, 2023, Mercy Ships had collected \$14,636,000 of the matching grant. Mercy Ships accounts for the present value of pledges receivable using a risk-adjusted discount rate range based on the credit facilities' effective interest rate at the point the pledge was made. For periods presented these rates have ranged between 0.5% - 8.5%. An allowance for uncollectible pledges receivable is recorded based upon collection history.

6. INVENTORY:

Inventory consists of the following:

	December 31,	
	2023	2022
Medical supplies	\$ 8,986,730	\$ 6,232,574
Fuel	1,651,309	2,853,836
Food	19,190	167,173
Other	<u>1,260,908</u>	<u>1,077,951</u>
	<u><u>\$ 11,918,137</u></u>	<u><u>\$ 10,331,534</u></u>

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

7. PROPERTY AND EQUIPMENT—NET:

Property and equipment consists of:

	December 31,	
	2023	2022
Land and buildings	\$ 13,756,694	\$ 12,796,881
Ship and related improvements	218,150,772	212,217,661
Tools and equipment	16,149,634	5,656,577
Vehicles	2,283,895	1,745,975
Medical equipment	10,313,546	4,906,934
	<u>260,654,541</u>	<u>237,324,028</u>
Less accumulated depreciation	(85,201,885)	(73,398,654)
	<u>175,452,656</u>	<u>163,925,374</u>
Assets not placed into service	-	16,842,675
	<u>175,452,656</u>	<u>180,768,049</u>

At December 31, 2022, assets not placed into service are related to the equipping of the Global Mercy. These assets were placed into service during 2023.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions consist of:

	December 31,	
	2023	2022
Available for operations	\$ 160,418,171	\$ 115,390,830
Equity in property and equipment—net	173,204,217	178,735,088
Equity in inventory—net	11,918,137	10,331,534
Board-designated operating reserve	25,200,000	23,975,000
Quasi endowments	18,695	18,250
	<u>370,759,220</u>	<u>328,450,702</u>

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

9. NET ASSETS WITH DONOR RESTRICTIONS BY PURPOSE OR TIME:

Net assets with donor restrictions by purpose or time consist of:

	December 31,	
	<u>2023</u>	<u>2022</u>
Capital project–new ship:		
Pledges made, not received	\$ -	\$ 1,516,111
Pledges restricted for time, not received	8,094,995	22,080,510
Maxillofacial/plastic surgery projects	831,496	5,370,682
Mercy vision projects	1,417,021	2,343,445
Orthopedic projects	587,579	1,132,501
Women’s health projects	1,717,321	1,591,924
Non-surgical projects	-	1,738,062
General surgery projects	-	964,080
Dental projects	611,080	783,549
Other ministry projects (including unappropriated endowment income)	1,706,890	689,846
	<u>\$ 14,966,382</u>	<u>\$ 38,210,710</u>

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

10. ENDOWMENT FUNDS AND RELATED ASSETS:

Assets held for endowment funds consist of:

	December 31,	
	2023	2022
Cash and cash equivalents	\$ 1,314,720	\$ 1,308,795

Net assets with donor restrictions in perpetuity consist of:

	December 31,	
	2023	2022
Crew assistance fund	\$ 107,000	\$ 107,000
Operations	80,000	80,000
Technical training	1,000,000	1,000,000
	<u>\$ 1,187,000</u>	<u>\$ 1,187,000</u>

The endowment net asset composition by type of fund as of December 31, 2023:

	Without donor restrictions	With donor restrictions		Total
		Accumulated gains (losses)	Original gift amount	
Donor-restricted endowment funds	\$ -	\$ 109,025	\$ 1,187,000	\$ 1,296,025
Board-designated endowment funds	18,695	-	-	18,695
	<u>\$ 18,695</u>	<u>\$ 109,025</u>	<u>\$ 1,187,000</u>	<u>\$ 1,314,720</u>

Changes in endowment net assets for the year ended December 31, 2023:

	Without donor restrictions	With donor restrictions		Total
		Accumulated gains (losses)	Original gift amount	
Endowment net assets, beginning of year	\$ 18,250	\$ 103,545	\$ 1,187,000	\$ 1,308,795
Investment income	445	5,480	-	5,925
Endowment net assets, end of year	<u>\$ 18,695</u>	<u>\$ 109,025</u>	<u>\$ 1,187,000</u>	<u>\$ 1,314,720</u>

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

10. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

The endowment net asset composition by type of fund as of December 31, 2022:

	Without donor restrictions	With donor restrictions		Total
		Accumulated gains (losses)	Original gift amount	
Donor-restricted endowment funds	\$ -	\$ 103,545	\$ 1,187,000	\$ 1,290,545
Board-designated endowment funds	18,250	-	-	18,250
	\$ 18,250	\$ 103,545	\$ 1,187,000	\$ 1,308,795

Changes in endowment net assets for the year ended December 31, 2022:

	Without donor restrictions	With donor restrictions		Total
		Accumulated gains (losses)	Original gift amount	
Endowment net assets, beginning of year	\$ 17,809	\$ 98,110	\$ 1,187,000	\$ 1,302,919
Investment income	441	5,435	-	5,876
Endowment net assets, end of year	\$ 18,250	\$ 103,545	\$ 1,187,000	\$ 1,308,795

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or TUPMIFA requires Mercy Ships to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets without donor restrictions. As of December 31, 2023 and 2022, there are no deficiencies resulting from unfavorable market fluctuations, respectively.

11. DEFINED CONTRIBUTION PENSION PLAN:

Mercy Ships provides a 403(b) defined contribution retirement plan to eligible employees. As of April 1 2019, all full-time employees were eligible to participate on the first day of the month following their hire date. Eligible employees can contribute toward tax sheltered and/or Roth elections up to the maximum allowed by the IRS for the plan year. Mercy Ships matches 100% of employee contributions to the plan up to 3% of employee's gross annual wage. Employer matching contributions as of December 31, 2023 and 2022, were approximately \$634,000 and \$508,000, respectively.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

12. TRANSFERS FROM AFFILIATES:

Mercy Ships' international affiliates are certified by various charity boards within their countries. To satisfy requirements of these boards, the following information is presented for the purpose of disclosing the amount of funds transferred from each affiliate and disbursed to pay for program and ship operational expenses and long-term liabilities of Mercy Ships. These amounts are considered intercompany transactions for the purposes of the consolidated and combined financial statements and are therefore eliminated upon combination.

The amount of funds transferred from the affiliates was as follows:

	Grants—Accrual Basis		Grants—Cash Basis	
	2023	2022	2023	2022
Australia	\$ 5,577,596	\$ (36,663)	\$ 2,747,837	\$ 2,118,869
Belgium	4,151,824	3,880,611	6,019,116	2,836,276
Germany	2,967,122	1,811,215	2,967,122	1,811,215
Holland	3,588,536	3,211,297	3,886,264	3,017,767
Norway*	2,573,684	3,393,134	2,573,684	3,393,134
Sweden	2,591,906	2,738,060	1,604,712	2,230,922
Switzerland	6,407,428	6,946,023	6,528,793	7,269,352
United Kingdom	5,153,028	5,716,621	5,772,788	5,096,861
	<u>\$ 33,011,124</u>	<u>\$ 27,660,298</u>	<u>\$ 32,100,316</u>	<u>\$ 27,774,396</u>

*Includes funds donated by Norad.

MERCY SHIPS AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

December 31, 2023

December 31, 2022 (Summarized Financial Information)

13. NON-U.S. OPERATIONS:

Mercy Ships' international affiliates are located in various countries. Non-U.S. operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on non-U.S. investment and income repatriation, government price or non-U.S. exchange controls, and restrictions on currency exchange. For the years ended December 31, 2023 and 2022, net assets of non-U.S. operations were 5.4% and 5.8% of Mercy Ships' total net assets, respectively.

The majority of Mercy Ships' international affiliates use the local currency as the functional currency. The consolidated and combined financial statements of Mercy Ships' international affiliates have been translated into U.S. dollars. The consolidated and combined statements of financial position accounts have been translated using the exchange rate in effect at the consolidated and combined statements of financial position date. Consolidated and combined statements of activities amounts have been translated using the average exchange rate for the year. These adjustments for the years ended December 31, 2023 and 2022, are reflected accordingly on the consolidated and combined statements of activities.

As of the date of the consolidated and combined statements of financial position and statements of activities, there continues to be fluctuations in the value of the U.S. dollar relative to several non-U.S. currencies in which Mercy Ships operates. It is not practicable to determine the effects of these rate changes on Mercy Ships' consolidated and combined financial statements.

14. SUBSEQUENT EVENTS:

On April 10, 2024, Mercy Ships' entered into a purchase agreement for the construction of a new hospital ship for \$198,500,000, which is payable in installments based on contract milestones achieved between the years of 2024 through 2026. On a related note, on April 8, 2024, a donor made a pledge to fund fifty percent (50%), or \$99,250,000, of the construction cost of the new ship. Pledge payments are to be received by MSI prorated according to the schedule of payments due to the shipyard. The pledge allows for a maximum contribution of \$125,000,000 for change orders above the initial contract agreement to be approved by the donor's foundation. The pledge also contains certain non-monetary in-kind donations of consulting services provided by the donor to assist in the design, construction, and commissioning of the ship.

Subsequent events have been evaluated through June 14, 2024, which represents the date the consolidated and combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Mercy Ships and Affiliates
Lindale, Texas

We have audited the consolidated and combined financial statements of Mercy Ships and Affiliates, as of and for the year ended December 31, 2023, and our report thereon dated June 14, 2024, which expressed an unmodified opinion on those consolidated and combined financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The consolidating and combining statements of financial position and activities are presented for purposes of additional analysis of the consolidated and combined financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated and 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 consolidated and combined financial statements. The consolidating and combining information has been subjected to the auditing procedures applied in the audit of the consolidated and 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 consolidated and combined financial statements or to the consolidated and 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 consolidated and combined financial statements as a whole.

Capin Crouse LLP

Irving, Texas
June 14, 2024

MERCY SHIPS AND AFFILIATES

Consolidating and Combining Statement of Financial Position

December 31, 2023

	Mercy Ships	Mercy Ships Foundation	Mercy Ships International	Africa Mercy- Malta Ltd.	Global Mercy Shipping Ltd.	Mercy Ships National Offices	Eliminations	Total
ASSETS:								
Cash and cash equivalents	\$ 32,807,066	\$ 3,283,188	\$ 151,993	\$ -	\$ -	\$ 25,720,961	\$ -	\$ 61,963,208
Cash held for others–ship bank	1,991,183	-	-	-	-	-	-	1,991,183
Investments	26,461,000	100,008,052	-	-	-	-	-	126,469,052
Pledges receivable–net	2,652,142	8,094,996	-	-	-	-	-	10,747,138
Other receivables	15,332,552	-	-	-	-	3,251,965	(6,761,574)	11,822,943
Intercompany receivable	9,217,793	9,280	-	-	-	-	(9,227,073)	-
Inventory	11,484,898	-	-	-	-	433,239	-	11,918,137
Prepaid expenses and other assets	3,257,289	-	-	-	-	1,361,170	-	4,618,459
Property and equipment–net	149,183,293	3,206,688	-	20,716,546	135,908,353	2,706,129	(136,268,353)	175,452,656
Total Assets	\$ 252,387,216	\$ 114,602,204	\$ 151,993	\$ 20,716,546	\$ 135,908,353	\$ 33,473,464	\$ (152,257,000)	\$ 404,982,776
LIABILITIES AND NET ASSETS:								
Liabilities:								
Accounts payable and accrued expenses	\$ 10,023,891	\$ 537,810	\$ -	\$ -	\$ -	\$ 10,383,891	\$ (7,121,574)	\$ 13,824,018
Ship bank payable	1,991,183	-	-	-	-	-	-	1,991,183
Intercompany payable	51,837	1,006,496	128,437	4,279,330	3,760,972	-	(9,227,072)	-
Other liabilities	50,313	-	-	-	-	2,204,660	-	2,254,973
	<u>12,117,224</u>	<u>1,544,306</u>	<u>128,437</u>	<u>4,279,330</u>	<u>3,760,972</u>	<u>12,588,551</u>	<u>(16,348,646)</u>	<u>18,070,174</u>
Net assets:								
Net assets without donor restrictions	232,211,606	104,962,902	23,556	16,437,216	132,147,381	20,884,913	(135,908,354)	370,759,220
Net asset with donor restrictions	8,058,386	8,094,996	-	-	-	-	-	16,153,382
	<u>240,269,992</u>	<u>113,057,898</u>	<u>23,556</u>	<u>16,437,216</u>	<u>132,147,381</u>	<u>20,884,913</u>	<u>(135,908,354)</u>	<u>386,912,602</u>
Total Liabilities and Net Assets	\$ 252,387,216	\$ 114,602,204	\$ 151,993	\$ 20,716,546	\$ 135,908,353	\$ 33,473,464	\$ (152,257,000)	\$ 404,982,776

MERCY SHIPS AND AFFILIATES

Consolidating and Combining Statement of Activities

December 31, 2023

	Mercy Ships	Mercy Ships Foundation	Mercy Ships International	Africa Mercy- Malta Ltd.	Global Mercy Shipping Ltd.	Mercy Ships National Offices	Eliminations	Total
SUPPORT AND REVENUE:								
Contributions of financial assets	\$ 104,387,531	\$ 1,165,123	\$ -	\$ -	\$ -	\$ 50,399,751	\$ -	\$ 155,952,405
Contributions of financial assets—staff support	1,982,188	-	-	-	-	1,606,959	-	3,589,147
Contributions of nonfinancial assets—goods	8,044,683	-	-	-	-	1,176,415	-	9,221,098
Contributions of nonfinancial assets—services	26,327,811	-	-	-	-	3,122,827	(3,122,827)	26,327,811
Fee revenue	34,404	-	-	-	-	-	-	34,404
Investment income—net	608,597	14,353,459	-	-	-	-	-	14,962,056
Sales and other revenue	880,214	187,000	20,081	-	-	3,252,549	(180,000)	4,159,844
Gain/loss from translation adjustments	(355,391)	-	-	-	-	(15,352)	-	(370,743)
Grant revenue—nonfinancial assets	631,058	-	-	-	-	-	(631,058)	-
Grant revenue—financial assets	44,694,559	1,984,327	-	-	-	5,318,657	(51,997,543)	-
Total Support and Revenue	187,235,654	17,689,909	20,081	-	-	64,861,806	(55,931,428)	213,876,022
EXPENSES:								
Non-grant expenses	166,646,381	546,788	-	2,708,573	6,722,967	27,307,859	(8,135,359)	195,797,209
Grant expenses	12,279,689	1,391,794	-	-	-	38,957,118	(52,628,601)	-
Total Expenses	178,926,070	1,938,582	-	2,708,573	6,722,967	66,264,977	(60,763,960)	195,797,209
Change in Net Assets Before Change in Cumulative Translation Adjustments	8,309,584	15,751,327	20,081	(2,708,573)	(6,722,967)	(1,403,171)	4,832,532	18,078,813
Cumulative Translation Adjustments	-	-	-	-	-	985,377	-	985,377
Change in Net Assets	8,309,584	15,751,327	20,081	(2,708,573)	(6,722,967)	(417,794)	4,832,532	19,064,190
Net Assets, Beginning of Year	231,960,408	97,306,571	3,475	19,145,789	138,870,348	21,302,707	(140,740,886)	367,848,412
Net Assets, End of Year	<u>\$ 240,269,992</u>	<u>\$ 113,057,898</u>	<u>\$ 23,556</u>	<u>\$ 16,437,216</u>	<u>\$ 132,147,381</u>	<u>\$ 20,884,913</u>	<u>\$ (135,908,354)</u>	<u>\$ 386,912,602</u>