



**HOSPITAL SISTERS
MISSION OUTREACH CORPORATION**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2020
(with summarized information for 2019)



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HOSPITAL SISTERS MISSION OUTREACH CORPORATION
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INDEPENDENT AUDITOR'S REPORT

To the Officers and Members of the
Hospital Sisters Mission Outreach Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Sisters Mission Outreach Corporation, which comprise the Statement of Financial Position as of June 30, 2020, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Sisters Mission Outreach Corporation as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Mission Outreach adopted new accounting guidance as issued by the Financial Accounting Standards Board (FASB) under Financial Accounting Standards Board Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14. Our opinion has not been modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Hospital Sisters Mission Outreach Corporation's 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated August 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sikich LLP

Springfield, Illinois
August 21, 2020

FINANCIAL STATEMENTS

HOSPITAL SISTERS MISSION OUTREACH CORPORATION

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Summarized Financial Information for June 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,162,462	\$ 477,460
Accounts receivable	51,972	26,480
Inventory	4,422,583	4,642,381
Other assets	-	1,879
Certificates of deposit	-	390,751
Investments	-	396,143
Total current assets	<u>5,637,017</u>	<u>5,935,094</u>
EQUIPMENT		
Equipment, net of accumulated depreciation of \$121,500 and \$117,815	<u>6,520</u>	<u>10,205</u>
Total assets	<u><u>\$ 5,643,537</u></u>	<u><u>\$ 5,945,299</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 23,898	\$ 18,173
Accrued liabilities	<u>22,912</u>	<u>-</u>
Total liabilities	<u>46,810</u>	<u>18,173</u>
NET ASSETS		
Without donor restriction	5,467,293	5,738,968
With donor restriction	<u>129,434</u>	<u>188,158</u>
Total net assets	<u>5,596,727</u>	<u>5,927,126</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,643,537</u></u>	<u><u>\$ 5,945,299</u></u>

The accompanying Notes to these Financial Statements are an integral part of this statement.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

(With Summarized Financial Information for the Year Ended June 30, 2019)

	Without Donor Restriction	With Donor Restriction	Total	
			2020	2019
REVENUE				
Medical equipment and supply donations	\$5,312,814	\$ -	\$5,312,814	\$5,148,045
In-kind contributions - services	3,075	-	3,075	8,778
Membership contributions	180,814	-	180,814	296,195
Donations	404,812	260	405,072	491,493
Grant income	-	-	-	15,000
Shipping and handling income	259,553	-	259,553	356,985
Donated product recycling revenue	218,859	-	218,859	329,140
Investment income	12,665	-	12,665	19,053
Net assets released from restrictions	58,984	(58,984)	-	-
Gain (loss) on sale of assets	-	-	-	1,958
Total revenue	<u>6,451,576</u>	<u>(58,724)</u>	<u>6,392,852</u>	<u>6,666,647</u>
EXPENSES				
Program services	6,691,018	-	6,691,018	7,860,212
Fundraising	208,469	-	208,469	296,042
Management and general	137,580	-	137,580	129,399
Total expenses	<u>7,037,067</u>	<u>-</u>	<u>7,037,067</u>	<u>8,285,653</u>
Transfer from affiliates -membership contributions, donations, donated services and donated space	313,816	-	313,816	372,524
CHANGE IN NET ASSETS	(271,675)	(58,724)	(330,399)	(1,246,482)
NET ASSETS, BEGINNING OF YEAR	<u>5,738,968</u>	<u>188,158</u>	<u>5,927,126</u>	<u>7,173,608</u>
NET ASSETS, END OF YEAR	<u>\$5,467,293</u>	<u>\$ 129,434</u>	<u>\$5,596,727</u>	<u>\$5,927,126</u>

The accompanying Notes to these Financial Statements are an integral part of this statement.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

(With Summarized Financial Information for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (330,399)	\$ (1,246,482)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	3,685	7,290
Net gain on sale of equipment	-	(1,958)
Medical equipment and supply donations	(5,312,814)	(5,148,045)
Product donations given	5,532,612	6,598,950
(Increase) decrease in:		
Accounts receivable	(25,492)	27,057
Other assets	1,879	(18)
Increase (decrease) in:		
Accounts payable	5,725	3,745
Accrued liabilities	22,912	-
Net cash from operating activities	<u>(101,892)</u>	<u>240,539</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(7,800)
Proceeds from sale of equipment	-	3,700
Purchase of certificates of deposit	(125,000)	(131,166)
Purchase of investments	(393,010)	(396,143)
Sale of certificates of deposit	515,634	250,000
Sale of investments	795,267	-
Dividends and interest reinvested	(5,997)	-
Net cash from investing activities	<u>786,894</u>	<u>(281,409)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	685,002	(40,870)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>477,460</u>	<u>518,330</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,162,462</u></u>	<u><u>\$ 477,460</u></u>

The accompanying Notes to these Financial Statements are an integral part of this statement.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF OPERATIONS

Hospital Sisters Mission Outreach Corporation (Mission Outreach) is a not-for-profit organization created and organized by the Hospital Sisters of the Third Order Regular of St. Francis (Hospital Sisters), a non-profit corporation. Hospital Sisters was the sole member of Mission Outreach through December 31, 2019. Mission Outreach entered into a corporate ownership transition agreement with Hospital Sisters Health System (HSHS), a non-profit corporation, on December 12, 2019 and effective January 1, 2020 HSHS became the sole member of Mission Outreach. The by-laws of Mission Outreach were amended during the year to reflect the change in sole member. Mission Outreach continues the Sister's mission through a medical equipment/supply recovery and distribution program. Mission Outreach addresses the unmet medical needs of people in developing countries by collecting, repairing, packaging, and distributing medical supplies and equipment to hospitals and clinics around the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Principles of Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Mission Outreach are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restriction - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Mission Outreach pursuant to those stipulations and net assets subject to donor-imposed stipulations that they be maintained permanently by Mission Outreach.

Net assets with donor restriction represent purpose restrictions on resources currently available for use, but expendable only for those operating purposes specified by the donor or grantor. These resources originate from donations and grants. See Note 5. When a donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates in the financial statements are inventory valuation, medical equipment and supply donations, product donations given, and depreciation. Actual results could differ from those estimates.

Cash and Cash Equivalents

Mission Outreach considers all liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

No cash was paid for interest or income taxes for the year ended June 30, 2020.

Accounts Receivable

Accounts receivable are comprised of shipping and handling fees, and other miscellaneous items. Accounts receivable are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

Inventory is primarily comprised of medical equipment and supplies. Mission Outreach had two types of inventory on hand at June 30, 2020. This included priced inventory items and medical supplies valued by weight.

Mission Outreach utilized four inventory valuation methods during the year ended June 30, 2020. These methods include (1) current price located on a publicly available website if the inventory item is a match for the website item when donated; (2) percentage of the price located on a publicly available website if the item donated has been used but the item located online is new; (3) the highest of prices located on a publicly available website if Mission Outreach receives several of that category of item throughout the year, but the category of items ranges in price depending on model, size, etc.; or (4) for the items reflected in inventory based on weight, the average price per pound of the inventory received and donated during the year.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are presented at fair value on the statements of financial position, with realized and unrealized gains and losses, and dividends and interest (net of investment advisory and custody fees), being reported in the statements of activities as investment income without donor restrictions unless the use of the income is limited by donor restrictions. If a restriction is fulfilled in the same time period in which the investment income is received, the investment income is reported as net assets without donor restriction. During the year ending June 30, 2020, Mission Outreach sold their investments and certificates of deposit and placed the funds in Mission Outreach's bank accounts.

Equipment

Expenditures for equipment in excess of \$5,000 are capitalized. Purchased equipment is carried at cost. Donated equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method and all assets are depreciated using a five-year useful life.

Donations-In-Kind

Contributed medical equipment and supplies received by Mission Outreach are recorded as income and a corresponding increase to inventory. Donations-in-kind of medical equipment and supplies recognized in the financial statements for the year ended June 30, 2020 were \$5,312,814.

Contributed services for accounting, medical equipment repairs, and administrative services are recognized as in-kind revenues at the estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated; these amounted to \$93,314, for the year ended June 30, 2020. A portion of these services were provided by related parties as described in Note 6. Mission Outreach also received \$48,900 of donated space as described in Note 7.

Many individuals participated in the Mission Outreach volunteer program in many capacities. A dollar valuation of their efforts is not included in the financial statements since it does not meet the criteria for recognition. However, the estimated value for volunteer hours for the year ended June 30, 2020 was approximately \$115,968.

Membership Contributions

Membership contributions represent contributions made by hospitals and health clinics in support of the operations of Mission Outreach. For their contribution, hospitals and health clinics are eligible to donate medical supplies and equipment which would otherwise be destined for a landfill. Revenue from these contributions for the year ended June 30, 2020 was \$277,294.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations

Donations are recognized as revenue when they are received or unconditionally pledged. Revenues are reported in net assets without donor restrictions, unless use of related assets is limited by the donor-imposed restrictions. Donor-restricted donations, grants and investment income whose restrictions are met within the same year as received are reflected in the change in net assets without donor restrictions.

Revenue from Contracts with Customers

Revenue is measured based on the consideration specified in a contract with a customer. The Mission Outreach recognizes shipping and handling income and donated product recycling revenue when goods or services are transferred to a customer as described in the following paragraphs.

Shipping and Handling Income and Shipping Costs

Mission Outreach bills recipient organizations a handling fee for preparing a container, pallet or boxes for distribution. In addition, some recipient organizations have Mission Outreach coordinate shipping logistics. In these cases, Mission Outreach pays the shipping costs and bills the actual cost to the recipient organization. Revenue from shipping and handling income and shipping costs is recognized when Mission Outreach's performance obligations are satisfied, which occurs when once the container, pallet or box is prepared and shipped to the recipient organization. This activity is recorded on an accrual basis with unearned handling fees recorded as accrued liabilities until the performance obligations are satisfied. For the year ended June 30, 2020, shipping and handling income totaled \$259,553, while shipping costs were \$108,957.

Donated Product Recycling Revenue

Mission Outreach evaluates inventory for obsolete or low demand equipment and supplies regularly. Inventory determined to be obsolete or in low demand is sold to various recycling companies. Revenue from donated product recycling revenue is recognized when Mission Outreach's performance obligations are satisfied, which occurs when equipment and supplies are sold and the product has been transferred to the recycling company. Mission Outreach recognizes revenue from donated product recycling at a point in time, when the equipment and supplies are delivered and the title and risk of loss pass to the customer.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from Contracts with Customers (Continued)

Donated Product Recycling Revenue (Continued)

The beginning and ending contract balances as of June 30 were as follows as of:

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 51,972	\$ 26,480
Contract liabilities (included in accrued liabilities)	11,546	-

None of the revenue streams from contracts with customers described include variable consideration estimated by the Mission Outreach.

Disaggregation of Revenue: All revenue from contracts with customers results from point in time recognition.

Significant Judgements

There are no significant judgments or estimates involved in the recognition of revenue from contracts with customers due to preparation and shipping and delivery of equipment and supplies.

Income Taxes

Mission Outreach is a not-for-profit corporation exempt from Federal and state income taxes under Code Section 501(c)(3) of the Internal Revenue Code and similar provisions of State laws. In addition, Mission Outreach qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. The Mission Outreach has implemented ASU No. 2014-09 and its related amendments and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, with no effect on net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02 is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standards at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Mission Outreach is currently assessing the impacts of this new standard, including the two optional transition methods.

Subsequent Events

Mission Outreach has evaluated subsequent events through August 21, 2020, which was the date that these financial statements were available for issuance. See Note 10.

Summarized Financial Information for 2019

The amounts shown for 2019, in the accompanying financial statements, are included to provide a basis for comparison for 2020 and present summarized totals only. Accordingly, the 2019 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

3. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject Mission Outreach to concentrations of credit risk consist principally of cash. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At June 30, 2020, there were no uninsured cash balances. There have been no losses on these accounts and Mission Outreach considers the risk to be minimal.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

4. EQUIPMENT

Equipment consists of the following:

Equipment	\$ 13,500
Vehicles	<u>114,520</u>
	128,020
Accumulated depreciation	<u>(121,500)</u>
	<u>\$ 6,520</u>

Depreciation expense for the year ended June 30, 2020 was \$3,685.

5. NET ASSETS WITH DONOR RESTRICTION

Net assets of \$129,434 at June 30, 2020 are with donor restriction for the following purposes: \$114,128 for Haiti, \$10,795 for Africa, \$100 for Damoh, India, \$856 for a box truck, and \$3,555 for Togo for shipping container expenses.

6. RELATED PARTY TRANSACTIONS

Mission Outreach had transactions with Hospital Sisters of St. Francis - USA, Inc. (Hospital Sisters), a not-for-profit corporation. Mission Outreach had leased its primary facility from the Hospital Sisters under a lease agreement that terminated on December 31, 2019. See note 7.

Mission Outreach also had arrangements with the Hospital Sisters to provide contractual staff and other administrative services for July through December 2019. Fees paid for contractual staff were \$463,691 for the year ended June 30, 2020, and administrative services provided at no charge were valued at \$45,000. Additionally, program services were provided by members of the Hospital Sisters of the Third Order Regular of St. Francis and valued at \$15,239.

Mission Outreach has transactions with Hospital Sisters Health System (HSHS), a not-for-profit corporation. Mission Outreach had arrangements with the HSHS to provide contractual staff and other administrative services for January through June 2020. Fees paid for contractual staff were \$398,065 for the year ended June 30, 2020, and administrative services provided at no charge were valued at \$30,000. Hospital Sisters Health System also makes membership contributions to Mission Outreach to offset the costs of operations. Membership contributions in the amount of \$96,480 were received from HSHS for the year ended June 30, 2020. Additionally, HSHS and associated entities made donations in the amount of \$78,197 for the year ended June 30, 2020.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

6. RELATED PARTY TRANSACTIONS (Continued)

For the year ended June 30, 2020, the Mission Outreach recorded the membership contributions, donations, donated services, and donated space in the statement of activities as transfer from affiliate – membership contributions, donated services, and space.

In addition, it is common for members of the Board of Directors of Mission Outreach and employees of Mission Outreach and related entities to contribute to Mission Outreach on an annual basis to support general operations or fundraising events. Contributions were received and recognized in the normal course of business using the same approval and measurement process as general donations and contributions.

7. RENT OBLIGATIONS

Mission Outreach had an operating lease for the use of a 23,000 square foot facility in Springfield, IL. The lease had a rate of \$8,150 per month. The lease agreement was with the Hospital Sisters and was terminated December 31, 2019 when the transition from Hospital Sisters to HSHS occurred. On January 1, 2020, Hospital Sisters deeded the land and building to HSHS. HSHS has allowed Mission Outreach to use the building at no cost. Mission Outreach recorded in-kind contribution revenue and building rent expense for the forgiven value of the donated space. The contributed in-kind space is included in the transfer from affiliate line on the statement of activities.

In June 2018, Mission Outreach executed an operating lease for use of a 26,700 square foot facility in Springfield, IL. The lease has a rate of \$5,340 per month and expires June 30, 2023.

The future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2021	64,080
2022	64,080
2023	64,080
Total	<u>\$ 194,240</u>

Rental expense for all operating leases for the year ended June 30, 2020 was \$161,880.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

8. EXPENSES BY NATURE AND FUNCTION

Mission Outreach expenses incurred during 2020 (with summarized information for 2019) were as follows:

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>2020 Total</u>	<u>2019 Total</u>
DIRECT EXPENSES					
Contracted employees	\$654,631	\$177,578	\$50,215	\$ 882,424	\$ 937,749
Building rent	110,540	1,220	1,220	112,980	112,980
Office supplies	4,052	810	540	5,402	23,652
General supplies	54,651	-	-	54,651	72,284
Utilities	33,220	85	85	33,390	31,602
Telephone	3,570	408	102	4,080	4,639
Maintenance and repair	34,916	-	-	34,916	28,437
Contracted services	31,991	-	-	31,991	26,977
Professional fees	-	-	14,625	14,625	12,200
Insurance	6,929	182	182	7,293	13,873
Memberships/licenses/dues	1,540	600	-	2,140	813
Marketing and promotion	-	20,260	-	20,260	48,760
Workshops and conferences	9,599	-	-	9,599	11,648
Travel to collect donations	31,984	-	-	31,984	32,163
Travel-other	1,712	-	-	1,712	7,264
Shipping costs	108,957	-	-	108,957	121,350
Depreciation	3,685	-	-	3,685	7,290
Bank Charges	2,152	-	-	2,152	-
TOTAL DIRECT EXPENSES	<u>\$1,094,129</u>	<u>201,143</u>	<u>66,969</u>	<u>1,362,241</u>	<u>1,493,681</u>
IN-KIND EXPENSES					
Product donations given	\$5,532,612	-	-	5,532,612	6,598,950
Building rent	47,678	611	611	48,900	48,900
Contracted services	16,599	6,715	70,000	93,314	144,122
TOTAL IN-KIND EXPENSES	<u>5,596,889</u>	<u>7,326</u>	<u>70,611</u>	<u>5,674,826</u>	<u>6,791,972</u>
TOTAL EXPENSES	<u>\$6,691,018</u>	<u>\$ 208,469</u>	<u>\$ 137,580</u>	<u>\$7,037,067</u>	<u>\$8,285,653</u>

Mission Outreach internal financial statements report certain 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. For contracted services direct expenses, an analysis of service provided to each program or supporting function is completed to determine a reasonable allocation of costs attributable to each program or supporting function. For contracted services in-kind, specific identification by service provider is identified for costs attributable to each program or supporting function. Certain other costs are allocated based on the square footage utilized by each program or supporting function, while other categories require no allocation due to the nature of the expenditure being exclusive to one program or supporting function.

HOSPITAL SISTERS MISSION OUTREACH CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Mission Outreach financial assets as of June 30, 2020 available for general use within one year of the Statement of Financial Position date.

Cash and cash equivalents	\$ 1,162,462
Accounts receivable	<u>51,972</u>
Total financial assets	1,214,434
Net assets with donor restriction	<u>(129,434)</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 1,085,000</u>

As cash is needed for general use within the next year, cash from the Mission Outreach bank account is used.

10. RISKS AND UNCERTAINTIES

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, Mission Outreach programs and funding sources could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. No adjustments have been made to these financial statements as a result of this uncertainty.