



**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**MUSTARD SEED COMMUNITIES, INC.**

Contents  
December 31, 2019 and 2018

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## Independent Auditor's Report

To the Board of Directors of  
Mustard Seed Communities, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mustard Seed Communities, Inc. (a Georgia corporation, not for profit) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Mustard Seed Communities, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*AAFCPAs, Inc.*

Westborough, Massachusetts  
June 2, 2020

**MUSTARD SEED COMMUNITIES, INC.**Statements of Financial Position  
December 31, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Current Assets:		
Cash	\$ 1,119,745	\$ 1,504,595
Certificate of deposit	304,547	-
Current portion of cash restricted for the Formation Program	76,500	149,568
Current portion of pledges receivable	295,577	314,455
Prepaid expenses and other	70,869	58,511
Total current assets	1,867,238	2,027,129
Cash Restricted for the Formation Program, net of current portion	475,997	298,064
Pledges Receivable for the Formation Program	80,000	267,000
Pledges Receivable - Other, net of current portion and allowance	136,768	109,259
Property and Website, net	7,503	17,925
Total assets	<u>\$ 2,567,506</u>	<u>\$ 2,719,377</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 21,731</u>	<u>\$ 37,185</u>
Net Assets:		
Without donor restrictions:		
Operating	1,011,373	660,101
Property and website	7,503	17,925
Total without donor restrictions	1,018,876	678,026
With donor restrictions	1,526,899	2,004,166
Total net assets	<u>2,545,775</u>	<u>2,682,192</u>
Total liabilities and net assets	<u>\$ 2,567,506</u>	<u>\$ 2,719,377</u>

**MUSTARD SEED COMMUNITIES, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
Special events:						
Event contributions and support	\$ 437,487	\$ -	\$ 437,487	\$ 304,634	\$ -	\$ 304,634
Less - direct expenses	(155,297)	-	(155,297)	(116,326)	-	(116,326)
Net revenues from special events	282,190	-	282,190	188,308	-	188,308
Contributions and support - cash	4,353,640	456,420	4,810,060	4,066,221	337,804	4,404,025
Contributions and support - donated	476,918	-	476,918	475,834	-	475,834
Interest and other	9,085	-	9,085	5,900	-	5,900
Net assets released from restrictions	933,687	(933,687)	-	869,278	(869,278)	-
Total support and revenue	<u>6,055,520</u>	<u>(477,267)</u>	<u>5,578,253</u>	<u>5,605,541</u>	<u>(531,474)</u>	<u>5,074,067</u>
<b>Operating Expenses:</b>						
Program expenses:						
Grants and aid:						
Cash	4,272,058	-	4,272,058	4,210,883	-	4,210,883
Donated	476,918	-	476,918	475,834	-	475,834
Total grants and aid	4,748,976	-	4,748,976	4,686,717	-	4,686,717
Personnel, related and other	341,747	-	341,747	310,018	-	310,018
Total program expenses	5,090,723	-	5,090,723	4,996,735	-	4,996,735
Administration	274,598	-	274,598	283,100	-	283,100
Fundraising	349,349	-	349,349	296,912	-	296,912
Total operating expenses	<u>5,714,670</u>	<u>-</u>	<u>5,714,670</u>	<u>5,576,747</u>	<u>-</u>	<u>5,576,747</u>
Changes in net assets	340,850	(477,267)	(136,417)	28,794	(531,474)	(502,680)
<b>Net Assets:</b>						
Beginning of year	678,026	2,004,166	2,682,192	649,232	2,535,640	3,184,872
End of year	<u>\$ 1,018,876</u>	<u>\$ 1,526,899</u>	<u>\$ 2,545,775</u>	<u>\$ 678,026</u>	<u>\$ 2,004,166</u>	<u>\$ 2,682,192</u>

The accompanying notes are an integral part of these statements.

**MUSTARD SEED COMMUNITIES, INC.**Statements of Cash Flows  
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> <b>(Restated)</b>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (136,417)	\$ (502,680)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,812	12,975
Changes in operating assets and liabilities:		
Pledges receivable	178,369	298,008
Prepaid expenses and other	(12,358)	31,826
Accounts payable and accrued expenses	(15,454)	12,319
	<u>25,952</u>	<u>(147,552)</u>
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash Flows from Investing Activities:</b>		
Purchase of certificate of deposit	(304,547)	-
Purchase of property and website	(1,390)	(2,673)
	<u>(305,937)</u>	<u>(2,673)</u>
<b>Net cash used in investing activities</b>		
<b>Net Change in Cash and Restricted Cash</b>	(279,985)	(150,225)
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>1,952,227</u>	<u>2,102,452</u>
End of year	<u>\$ 1,672,242</u>	<u>\$ 1,952,227</u>
<b>Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:</b>		
Cash	\$ 1,119,745	\$ 1,504,595
Restricted cash	<u>552,497</u>	<u>447,632</u>
<b>Total cash and restricted cash</b>	<u>\$ 1,672,242</u>	<u>\$ 1,952,227</u>

**MUSTARD SEED COMMUNITIES, INC.**

 Statements of Functional Expenses  
 For the Years Ended December 31, 2019 and 2018

	2019				2018			
	Program	Adminis- tration	Fundraising	Total	Program	Adminis- tration	Fundraising	Total
<b>Operating Expenses:</b>								
Personnel and related:								
Salaries and wages	\$ 197,003	\$ 171,091	\$ 150,529	\$ 518,623	\$ 177,302	\$ 170,565	\$ 118,050	\$ 465,917
Employee benefits	42,692	13,382	8,845	64,919	25,036	24,787	11,891	61,714
Payroll taxes	14,916	13,985	12,506	41,407	13,844	13,688	9,830	37,362
Recruitment	-	-	-	-	2,264	-	-	2,264
Total personnel and related	<u>254,611</u>	<u>198,458</u>	<u>171,880</u>	<u>624,949</u>	<u>218,446</u>	<u>209,040</u>	<u>139,771</u>	<u>567,257</u>
Grants and aid:								
Cash	4,272,058	-	-	4,272,058	4,210,883	-	-	4,210,883
Donated	<u>476,918</u>	<u>-</u>	<u>-</u>	<u>476,918</u>	<u>475,834</u>	<u>-</u>	<u>-</u>	<u>475,834</u>
Total grants and aid	<u>4,748,976</u>	<u>-</u>	<u>-</u>	<u>4,748,976</u>	<u>4,686,717</u>	<u>-</u>	<u>-</u>	<u>4,686,717</u>
Other:								
Direct event expenses	-	-	155,297	155,297	-	-	116,326	116,326
Donation processing fees	-	-	79,838	79,838	28	10	78,059	78,097
Financial and internet fees	23,180	14,996	15,025	53,201	24,672	12,512	14,250	51,434
Professional fees	-	23,401	27,605	51,006	1,125	22,817	13,311	37,253
Mission trips - other	34,323	-	-	34,323	31,468	-	-	31,468
Printing and publications	1,461	816	30,789	33,066	1,841	776	28,099	30,716
Occupancy	8,400	4,200	8,400	21,000	8,400	4,200	8,400	21,000
Travel	14,127	1,843	2,473	18,443	19,693	1,721	2,563	23,977
Depreciation	-	11,812	-	11,812	-	12,975	-	12,975
Postage	105	2,479	8,671	11,255	161	2,284	8,577	11,022
Insurance	433	7,717	312	8,462	454	7,867	235	8,556
Office and other	1,043	5,539	1,155	7,737	811	6,338	1,516	8,665
Telephone	3,909	1,391	1,870	7,170	2,873	793	1,069	4,735
Miscellaneous	155	1,946	1,331	3,432	47	1,767	1,061	2,875
Total other	<u>87,136</u>	<u>76,140</u>	<u>332,766</u>	<u>496,042</u>	<u>91,572</u>	<u>74,060</u>	<u>273,467</u>	<u>439,099</u>
Total operating expenses before direct event expenses	<u>5,090,723</u>	<u>274,598</u>	<u>504,646</u>	<u>5,869,967</u>	<u>4,996,735</u>	<u>283,100</u>	<u>413,238</u>	<u>5,693,073</u>
Direct event expenses	<u>-</u>	<u>-</u>	<u>(155,297)</u>	<u>(155,297)</u>	<u>-</u>	<u>-</u>	<u>(116,326)</u>	<u>(116,326)</u>
Total operating expenses	<u>\$ 5,090,723</u>	<u>\$ 274,598</u>	<u>\$ 349,349</u>	<u>\$ 5,714,670</u>	<u>\$ 4,996,735</u>	<u>\$ 283,100</u>	<u>\$ 296,912</u>	<u>\$ 5,576,747</u>

The accompanying notes are an integral part of these statements.

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

#### OPERATIONS AND NONPROFIT STATUS

Mustard Seed Communities, Inc. (the Organization) is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization was formed to provide financial and spiritual support along with Mustard Seed International (MSC International) for MSC International's locations in Jamaica, Nicaragua, Zimbabwe, Malawi, and the Dominican Republic. MSC International cares for abandoned children with disabilities and HIV/AIDS and operates over twenty outreach programs to help the local communities, including children and families living with HIV/AIDS and pregnant teens.

During 2016, the Organization commenced a campaign to raise funds for the Formation Program. The Formation Program is tasked with sustaining and further developing the spiritual core of the Organization. The Formation Program includes the construction and operation of a Formation Center in Jamaica. The Formation Center will promote vocations and train priests, deacons and sisters who will serve MSC internationally and attend to the pastoral and spiritual needs of the Organization. The campaign's goal is to raise \$1.6 million to fund capital and operating expenses over a ten-year period. Funds raised through December 31, 2019, totaled \$1,624,534, including a \$210,000 intention to give that is not recorded in the financial statements.

#### SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### Adoption of New Accounting Standards

During 2019, the Organization adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, the 2018 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019.

Additionally, the Organization adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* as of December 31, 2019. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash be added to cash for purposes of the statement of cash flows. This ASU has been applied retrospectively to all periods presented.



## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Adoption of New Accounting Standards (Continued)

The adoption of ASU 2016-18 resulted in the following changes to the Organization's cash flow classification for the year ended December 31, 2018:

<u>Statement of Cash Flows</u>	<u>2018 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>2018 As Restated</u>
Operating activities	\$ (147,552)	\$ -	\$ (147,552)
Investing activities	<u>144,045</u>	<u>(146,718)</u>	<u>(2,673)</u>
Net change in cash and restricted cash	<u>\$ (3,507)</u>	<u>\$ (146,718)</u>	<u>\$ (150,225)</u>

##### Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Restrictions on gifts of property or cash for the purchase of property expire when the asset is placed in service.

Special events revenue is recorded in the period the event occurs and is shown net of related direct expenses in the accompanying statements of activities and changes in net assets.

##### Contributions and Support - Donated

Volunteers and other agencies contribute goods, merchandise, and services to the Organization in support of various aspects of its programs. Donated goods consist of products shipped directly to the communities operated by MSC International. Donated merchandise is used in fundraising efforts. These goods, merchandise, and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers or agencies. Donated securities are recorded as contributions and support at fair value on the date of donation. The Organization has a policy to liquidate donated securities upon receipt.

##### Bequests

Unconditional promises to give by an estate are included in the accompanying financial statements as contributions revenue in the appropriate net asset category. Bequests are recorded when received or when the amount is known.

##### Grants and Aid

The Organization reserves the right to exercise variance authority over all grants, and therefore, has no legal liability to pay the balance of any grant. Accordingly, grants and aid are expensed based on predetermined payment schedules.

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Advertising

The Organization expenses advertising costs as incurred. Advertising costs of \$1,155 and \$1,104 for the years ended December 31, 2019 and 2018, respectively, are included in office and other in the accompanying statements of functional expenses.

##### Cash

Cash restricted for the Formation Program (see page 6) is restricted for capital and operating grants to this program over a ten-year period commencing in 2016. Amounts expected to be disbursed in the next fiscal year are reported as a current asset, with the remainder reported as long-term reflecting management's intent.

##### Certificate of Deposit

The certificate of deposit has an initial maturity of seven months and matures in July 2020.

##### Pledges Receivable and Allowance for Uncollectible Accounts

Pledges receivable are recorded at net realizable value. The allowance for uncollectible accounts is recorded based on management's analysis of specific accounts and the estimate of amounts that may be uncollectible, if any.

##### Property and Website and Depreciation

Property is recorded at cost. Donated property is recorded at fair value at the time of donation. Renewals and betterments costing at least \$1,000 with an expected life greater than one year are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is calculated using the straight-line method over three to seven years.

Costs incurred for developing new websites or adding new components to the websites are capitalized and amortized over a useful life of three years. Costs incurred for renovations, upgrades, and uploading of content to the websites are considered routine maintenance and are expensed as incurred.

Accumulated depreciation as of December 31, 2019 and 2018, was \$44,429 and \$34,309, respectively.

##### Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

##### Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs or supporting functions based upon management's estimate of the percentage attributable to each function.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and employee benefits, which are allocated based on an estimate of time and level of effort spent on the Organization's program and supporting functions, and occupancy, which is allocated based on space utilized by each function.

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2019 and 2018. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

##### Subsequent Events

Subsequent events have been evaluated through June 2, 2020, which is the date the financial statements were available to be issued. See Note 10 for the disclosure of a subsequent event.

### 2. NET ASSETS

#### Net Assets Without Donor Restrictions

The Organization has grouped its net assets without donor restrictions into the following categories:

**Operating** represents those net resources that bear no external restrictions and are generally available for use by the Organization to carry on its operations.

**Property and Website** reflects the net book value of the Organization's property and website.

#### Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of amounts received with donor-imposed purpose or time restrictions that have not yet been met. As of December 31, 2019 and 2018, these amounts are restricted as follows:

	<u>2019</u>	<u>2018</u>
Funds held for restricted purposes:		
Restricted for the Formation Program	\$ 632,497	\$ 714,632
Restricted for Jamaica	405,819	616,114
Restricted for Nicaragua	228,955	445,309
Restricted for Dominican Republic	21,789	13,901
Restricted for Malawi	50,000	-
Restricted for Zimbabwe	<u>-</u>	<u>1,062</u>
Total with donor purpose restrictions	1,339,060	1,791,018
Funds subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until collected	<u>187,839</u>	<u>213,148</u>
Total net assets with donor restrictions	<u>\$ 1,526,899</u>	<u>\$ 2,004,166</u>

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 2. NET ASSETS (Continued)

#### Net Assets With Donor Restrictions (Continued)

Net assets released from net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Jamaica	\$ 2,456,079	\$ 2,280,384
Nicaragua	584,950	737,385
Dominican Republic	404,097	306,949
Formation Program	193,670	277,399
Zimbabwe	18,308	162,928
Malawi	<u>1,152</u>	<u>1,233</u>
Total funds released from donor restrictions	3,658,256	3,766,278
Less - funds received and released in the same year	<u>2,724,569</u>	<u>2,897,000</u>
Net funds released from net assets with donor restrictions	<u>\$ 933,687</u>	<u>\$ 869,278</u>

### 3. GRANTS AND AID AND RELATED PARTIES

#### Contributions and Support - Donated

The Organization receives contributions of medical supplies, medicines, physical therapy equipment, vehicles, construction materials, office equipment, jewelry, and other items. Contributions such as medicine, medical supplies, and equipment are allocated directly to support and revenue as contributions and support - donated and are expensed as grants and aid - donated. The Organization uses publicly available information to determine the value of certain contributions or appraisals. In the absence of this information, these contributions are stated at fair value as determined by the donor.

Grants and aid - donated for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Medicines, equipment, clothing, food and construction materials	\$ 462,556	\$ 456,223
Shipping fees	<u>14,362</u>	<u>19,611</u>
Total	<u>\$ 476,918</u>	<u>\$ 475,834</u>

#### Contributions and Support - Cash

The Organization is one of the supporters of MSC International. Grants and aid - cash includes direct payments of cash to MSC International in Zimbabwe, Nicaragua, the Dominican Republic, Malawi, and Jamaica (the Apostolates). The grants and aid support the cost of operations and capital expenditures incurred by MSC International in these Apostolates. One of the directors of the Organization is also a director of MSC International.

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 4. PLEDGES RECEIVABLE

The Organization has unconditional pledges from various donors for general support and mission trip purposes.

Pledges receivable are due as follows at December 31:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 340,577	\$ 496,455
One to three years	<u>178,334</u>	<u>199,840</u>
	518,911	696,295
Less - allowance for doubtful pledges	6,566	5,581
Less - current portion	<u>295,577</u>	<u>314,455</u>
Long-term pledges receivable, net	<u>\$ 216,768</u>	<u>\$ 376,259</u>

Pledges receivable for the Formation Program (see Note 1) have been classified as non-current regardless of the planned date of receipt reflecting this program's long-term purpose. No discount was recorded at December 31, 2019 or 2018, as the discount amount would be immaterial to the accompanying financial statements.

### 5. LEASE AGREEMENTS

The Organization maintains its headquarters in Medfield, Massachusetts under a lease with monthly payments of \$1,750 and expiring, as extended, in July 2022. During fiscal years 2019 and 2018, the Organization incurred \$21,000 of rent expense that is included in occupancy in the accompanying statements of functional expenses. As of December 31, 2019 and 2018, the Organization had prepaid rent due in future years totaling \$39,750 and \$10,750, respectively.

Remaining annual lease payments are due as follows:

2020	\$ 21,000
2021	21,000
2022	<u>12,250</u>
Total	<u>\$ 54,250</u>

### 6. PENSION PLAN

The Organization has a pension plan agreement pursuant to IRC Section 401(k), which covers substantially all employees. Employees may elect to defer their salary within IRC limits. There is no matching contribution from the Organization based on the pension plan agreement. The Organization incurred \$1,392 and \$1,312 in plan related expenses for the years ended December 31, 2019 and 2018, respectively, which are included in employee benefits expense in the accompanying statements of functional expenses.

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
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### 7. COMMITMENTS

Effective November 2019, the Organization entered into a five-year agreement for an online fundraising application that replaces a previous agreement with the same vendor. The new agreement includes migration to a new customer relationship management platform (CRM) which replaces the current CRM. The agreement has an annual cancelation option with 45 days' notice prior to each annual term commencement. Annual subscription fees under this agreement for the first noncancelable term through November 2020 is \$40,044.

Under the terms of the previous contract, fixed monthly payments were \$2,660 and are included in financial and internet fees in the accompanying statements of functional expenses. This contract also included a variable fee of 5.5% of certain transactions processed online. These payments totaled \$44,692 and \$45,866 for the years ended December 31, 2019 and 2018, respectively, and are included as donation processing fees in the accompanying statements of functional expenses.

The Organization also entered into a three-year agreement for connector software which connects its online fundraising application to the new CRM. The agreement expires in December 2022 with fixed annual payments of \$7,070. Remaining payments are \$7,070 for the years ended 2020 through 2022.

### 8. CONCENTRATIONS

#### Credit Risk

The Organization maintains its cash balances in various banks in Massachusetts. The Federal Deposit Insurance Corporation insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. Management monitors the financial condition of the financial institutions on a regular basis, along with their balances, to keep this potential risk to a minimum.

#### Pledges Receivable

One donor represented 16% of pledges receivable as of December 31, 2018. Pledges receivable from members of the Board of Directors totaled \$80,000 and \$155,000 as of December 31, 2019 and 2018, respectively.

### 9. LIQUIDITY

The Organization has the following financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,119,745	\$ 1,504,595
Certificate of deposit	304,547	-
Current portion of restricted cash	76,500	149,568
Current portion of pledges receivable	<u>295,577</u>	<u>314,455</u>
Current financial assets	1,796,369	1,968,618
Less - donor restricted for non-operating purposes	<u>480,590</u>	<u>679,313</u>
Total	<u>\$ 1,315,779</u>	<u>\$ 1,289,305</u>

## **MUSTARD SEED COMMUNITIES, INC.**

Notes to Financial Statements  
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### **9. LIQUIDITY (Continued)**

The Organization receives significant contributions with specific donor restrictions to be used in accordance with the associated purpose restrictions. It 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. Operating expenditures include administrative and general expenses, fundraising expenses, and monthly operating grants and aid. Monthly operating grants and aid are budgeted but are not commitments of the Organization and are paid only if funds are available.

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 maintains current financial assets less current liabilities at a minimum of sixty-days operating expenses. The Organization targets a year-end balance of reserves of operating net assets at fifteen to thirty days of expected expenditures. To achieve these targets, the Organization monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within these ratios.

### **10. SUBSEQUENT EVENT**

In March 2020, the COVID-19 outbreak in the United States has resulted in the closures of many businesses and a marked reduction in economic activity, including international travel. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The Organization expects this matter to impact fundraising around its mission activities. The related financial impact and duration cannot be reasonably estimated at this time.

### **11. RECLASSIFICATION**

Certain amounts in the 2018 financial statements have been reclassified to conform with the 2019 presentation.