



FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

MUSTARD SEED COMMUNITIES, INC.

Contents
December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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
April 23, 2021

MUSTARD SEED COMMUNITIES, INC.Statements of Financial Position
December 31, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash	\$ 2,800,370	\$ 1,119,745
Certificate of deposit	-	304,547
Current portion of cash restricted for the Formation Program	79,000	76,500
Current portion of pledges receivable	355,183	295,577
Prepaid expenses and other	28,271	70,869
Total current assets	3,262,824	1,867,238
Cash Restricted for the Formation Program, net of current portion	478,914	475,997
Pledges Receivable for the Formation Program	45,000	80,000
Pledges Receivable - Other, net of current portion and allowance	315,339	136,768
Property and Website, net	5,182	7,503
Total assets	<u>\$ 4,107,259</u>	<u>\$ 2,567,506</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 17,919</u>	<u>\$ 21,731</u>
Net Assets:		
Without donor restrictions:		
Operating	2,705,356	1,011,373
Property and website	5,182	7,503
Total without donor restrictions	2,710,538	1,018,876
With donor restrictions	<u>1,378,802</u>	<u>1,526,899</u>
Total net assets	<u>4,089,340</u>	<u>2,545,775</u>
Total liabilities and net assets	<u>\$ 4,107,259</u>	<u>\$ 2,567,506</u>

MUSTARD SEED COMMUNITIES, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Special events:						
Event contributions and support	\$ 389,194	\$ -	\$ 389,194	\$ 437,487	\$ -	\$ 437,487
Less - direct expenses	(90,252)	-	(90,252)	(155,297)	-	(155,297)
Net revenues from special events	298,942	-	298,942	282,190	-	282,190
Contributions and support - cash	6,043,451	76,897	6,120,348	4,353,640	456,420	4,810,060
Contributions and support - donated	469,200	-	469,200	476,918	-	476,918
Interest and other	7,935	-	7,935	9,085	-	9,085
Net assets released from restrictions	224,994	(224,994)	-	933,687	(933,687)	-
Total support and revenue	<u>7,044,522</u>	<u>(148,097)</u>	<u>6,896,425</u>	<u>6,055,520</u>	<u>(477,267)</u>	<u>5,578,253</u>
Operating Expenses:						
Program expenses:						
Grants and aid:						
Cash	3,922,789	-	3,922,789	4,272,058	-	4,272,058
Donated	469,200	-	469,200	476,918	-	476,918
Total grants and aid	4,391,989	-	4,391,989	4,748,976	-	4,748,976
Personnel, related and other	328,754	-	328,754	341,747	-	341,747
Total program expenses	4,720,743	-	4,720,743	5,090,723	-	5,090,723
Administration	285,826	-	285,826	274,598	-	274,598
Fundraising	346,291	-	346,291	349,349	-	349,349
Total operating expenses	5,352,860	-	5,352,860	5,714,670	-	5,714,670
Changes in net assets	1,691,662	(148,097)	1,543,565	340,850	(477,267)	(136,417)
Net Assets:						
Beginning of year	1,018,876	1,526,899	2,545,775	678,026	2,004,166	2,682,192
End of year	<u>\$ 2,710,538</u>	<u>\$ 1,378,802</u>	<u>\$ 4,089,340</u>	<u>\$ 1,018,876</u>	<u>\$ 1,526,899</u>	<u>\$ 2,545,775</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,543,565	\$ (136,417)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,321	11,812
Changes in operating assets and liabilities:		
Pledges receivable	(203,177)	178,369
Prepaid expenses and other	42,598	(12,358)
Accounts payable and accrued expenses	(3,812)	(15,454)
Net cash provided by operating activities	<u>1,381,495</u>	<u>25,952</u>
Cash Flows from Investing Activities:		
Maturity (purchase) of certificate of deposit	304,547	(304,547)
Purchase of property and website	-	(1,390)
Net cash provided by (used in) investing activities	<u>304,547</u>	<u>(305,937)</u>
Net Change in Cash and Restricted Cash	1,686,042	(279,985)
Cash and Restricted Cash:		
Beginning of year	<u>1,672,242</u>	<u>1,952,227</u>
End of year	<u>\$ 3,358,284</u>	<u>\$ 1,672,242</u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	\$ 2,800,370	\$ 1,119,745
Restricted cash	<u>557,914</u>	<u>552,497</u>
Total cash and restricted cash	<u>\$ 3,358,284</u>	<u>\$ 1,672,242</u>

MUSTARD SEED COMMUNITIES, INC.

Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

	2020				2019			
	Program	Adminis- tration	Fundraising	Total	Program	Adminis- tration	Fundraising	Total
Operating Expenses:								
Personnel and related:								
Salaries and wages	\$ 214,384	\$ 186,206	\$ 151,959	\$ 552,549	\$ 197,003	\$ 171,091	\$ 150,529	\$ 518,623
Employee benefits	26,773	11,131	6,870	44,774	42,692	13,382	8,845	64,919
Payroll taxes	16,547	15,280	12,888	44,715	14,916	13,985	12,506	41,407
Recruitment	-	457	275	732	-	-	-	-
Total personnel and related	<u>257,704</u>	<u>213,074</u>	<u>171,992</u>	<u>642,770</u>	<u>254,611</u>	<u>198,458</u>	<u>171,880</u>	<u>624,949</u>
Grants and aid:								
Cash	3,922,789	-	-	3,922,789	4,272,058	-	-	4,272,058
Donated	469,200	-	-	469,200	476,918	-	-	476,918
Total grants and aid	<u>4,391,989</u>	<u>-</u>	<u>-</u>	<u>4,391,989</u>	<u>4,748,976</u>	<u>-</u>	<u>-</u>	<u>4,748,976</u>
Other:								
Direct event expenses	-	-	90,252	90,252	-	-	155,297	155,297
Donation processing fees	-	-	59,228	59,228	-	-	79,838	79,838
Technology	28,764	9,040	14,273	52,077	16,998	1,259	13,221	31,478
Professional fees	2,362	26,737	17,890	46,989	-	23,401	18,322	41,723
Website development	5,921	-	23,685	29,606	-	-	9,283	9,283
Financial and internet fees	11,190	8,200	4,643	24,033	6,182	13,737	1,804	21,723
Printing and publications	376	875	22,731	23,982	1,461	816	30,789	33,066
Occupancy	8,400	4,200	8,400	21,000	8,400	4,200	8,400	21,000
Postage	19	2,741	9,081	11,841	105	2,479	8,671	11,255
Advertising	125	152	10,741	11,018	1,028	58	69	1,155
Insurance	416	8,493	324	9,233	433	7,717	312	8,462
Office and other	1,161	5,292	891	7,344	15	5,481	1,086	6,582
Mission trips - other	5,925	-	-	5,925	34,323	-	-	34,323
Telephone	3,044	720	1,218	4,982	3,909	1,391	1,870	7,170
Travel	3,347	-	528	3,875	14,127	1,843	2,473	18,443
Bad debt	-	3,577	-	3,577	-	-	-	-
Depreciation	-	2,321	-	2,321	-	11,812	-	11,812
Miscellaneous	-	404	666	1,070	155	1,946	1,331	3,432
Total other	<u>71,050</u>	<u>72,752</u>	<u>264,551</u>	<u>408,353</u>	<u>87,136</u>	<u>76,140</u>	<u>332,766</u>	<u>496,042</u>
Total operating expenses before direct event expenses	4,720,743	285,826	436,543	5,443,112	5,090,723	274,598	504,646	5,869,967
Direct event expenses	-	-	(90,252)	(90,252)	-	-	(155,297)	(155,297)
Total operating expenses	<u>\$ 4,720,743</u>	<u>\$ 285,826</u>	<u>\$ 346,291</u>	<u>\$ 5,352,860</u>	<u>\$ 5,090,723</u>	<u>\$ 274,598</u>	<u>\$ 349,349</u>	<u>\$ 5,714,670</u>

The accompanying notes are an integral part of these statements.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2020 and 2019

1. 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 was to raise \$1.6 million to fund capital and operating expenses over a ten-year period. Funds raised through December 31, 2020, totaled \$1.6 million, including a \$150,000 intention to give that is not recorded in the financial statements.

2. 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).

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.

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Advertising

The Organization expenses advertising costs as incurred.

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 at December 31, 2019, had a maturity of seven months and matured in July 2020. The certificate of deposit was not renewed.

Pledges Receivable and Allowance for Uncollectible Accounts

Pledges receivable are recorded at net realizable value. Monthly pledge receipts due more than two years after the statement of financial position date are fully reserved. An 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.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019, was \$46,750 and \$44,429, respectively.

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.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 personnel and related, occupancy, telephone, office and other, which are allocated based on an estimate of time and level of personnel effort spent on the Organization's program and supporting functions.

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, 2020 and 2019. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through April 23, 2021, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. 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.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2020 and 2019

3. NET ASSETS (Continued)

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, 2020 and 2019, these amounts are restricted as follows:

	<u>2020</u>	<u>2019</u>
Funds held for restricted purposes:		
Restricted for the Formation Program	\$ 602,914	\$ 632,497
Restricted for Jamaica	182,505	405,819
Restricted for Malawi	50,000	50,000
Restricted for Zimbabwe	35,000	-
Restricted for Dominican Republic	25,091	21,789
Restricted for Nicaragua	<u>-</u>	<u>228,955</u>
Total with donor purpose restrictions	895,510	1,339,060
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>483,292</u>	<u>187,839</u>
Total net assets with donor restrictions	<u>\$ 1,378,802</u>	<u>\$ 1,526,899</u>

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

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Jamaica	\$ 1,423,964	\$ 2,456,079
Nicaragua	482,714	584,950
Dominican Republic	208,278	404,097
Zimbabwe	122,724	18,308
Formation Program	63,778	193,670
Malawi	<u>3,787</u>	<u>1,152</u>
Total funds released from donor restrictions	2,305,245	3,658,256
Less - funds received and released in the same year	<u>2,080,251</u>	<u>2,724,569</u>
Net funds released from net assets with donor restrictions	<u>\$ 224,994</u>	<u>\$ 933,687</u>

4. 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.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2020 and 2019

4. GRANTS AND AID AND RELATED PARTIES (Continued)

Contributions and Support - Donated (Continued)

Grants and aid - donated for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Medicines, equipment, clothing, food and construction materials	\$ 443,538	\$ 462,556
Shipping fees	<u>25,662</u>	<u>14,362</u>
Total	<u>\$ 469,200</u>	<u>\$ 476,918</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.

5. 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>2020</u>	<u>2019</u>
Less than one year	\$ 390,183	\$ 340,577
One to five years	<u>335,482</u>	<u>178,334</u>
	725,665	518,911
Less - allowance for doubtful pledges	10,143	6,566
Less - current portion	<u>355,183</u>	<u>295,577</u>
Long-term pledges receivable, net	<u>\$ 360,339</u>	<u>\$ 216,768</u>

Pledges receivable for the Formation Program (see Note 2) 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, 2020 or 2019, as the discount amount would be immaterial to the accompanying financial statements.

6. LEASE AGREEMENTS

The Organization maintains its headquarters in Medfield, Massachusetts under a lease with monthly payments of \$1,750 through July 2022. During fiscal years 2020 and 2019, the Organization incurred \$21,000 of rent expense that is reflected as occupancy in the accompanying statements of functional expenses. As of December 31, 2020 and 2019, the Organization had prepaid rent due in future years totaling \$18,750 and \$39,750, respectively.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2020 and 2019

6. LEASE AGREEMENTS (Continued)

Remaining annual lease payments are due as follows:

2021	\$ 21,000
2022	<u>12,250</u>
Total	<u>\$ 33,250</u>

7. 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 \$1,424 and \$1,392 in plan related expenses for the years ended December 31, 2020 and 2019, respectively, which are included in employee benefits expense in the accompanying statements of functional expenses.

8. 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) that replaces the current CRM. The agreement has an annual cancellation option with 45 days' notice prior to each annual term commencement. Annual subscription fees under this agreement were \$40,044 for the year ended December 31, 2020. Subscription fees for the noncancelable term through November 2021 are \$36,760.

Under the terms of the previous agreement, fixed monthly payments were \$2,660 and are included in financial and internet fees in the accompanying statements of functional expenses.

The agreements include a variable fee component of 3% and 5.5% of certain transactions processed online for 2020 and 2019, respectively. These payments totaled \$12,590 and \$44,692 for the years ended December 31, 2020 and 2019, respectively, and are included as donation processing fees in the accompanying statements of functional expenses.

The Organization also entered into a four-year agreement for connector software that connects its online fundraising application to the new CRM. The agreement expires in June 2024 with fixed annual payments of \$7,070. Remaining payments are \$7,070 for each of the years ended 2021 to 2023 and \$3,535 for 2024.

9. 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

Pledges receivable from members of the Board of Directors for the Formation Program (see Note 2) totaled \$45,000 and \$80,000 as of December 31, 2020 and 2019, respectively.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2020 and 2019

10. LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,800,370	\$ 1,119,745
Certificate of deposit	-	304,547
Current portion of restricted cash	79,000	76,500
Current portion of pledges receivable	<u>355,183</u>	<u>295,577</u>
Current financial assets available	<u>\$ 3,234,553</u>	<u>\$ 1,796,369</u>

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 and reserves monthly. During the years ended December 31, 2020 and 2019, the level of liquidity and reserves was managed within these ratios.

11. CONDITIONAL GRANT

The Organization applied for and was awarded a loan of \$117,700 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds were to be used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. Under the CARES Act, a portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period, with the remainder of the funds due over a two-year period with interest at 1%. Any repayment would be deferred for a certain period from the end of the covered period as determined by the Small Business Administration (SBA). The Organization applied for and was granted forgiveness during 2020 and recorded the entire loan as contributions and support - cash in the accompanying statement of activities and changes in net assets. The forgiveness calculations are subject to audit by the SBA.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
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12. CONTINGENCY

During fiscal year 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is uncertainty around the duration and the impact it will have on the Organization's mission volunteer program and financial position.

Throughout the year and into 2021, the Organization has implemented new programs to increase engagement and retention of the current donors, acquire new donors and enter new markets. It is management's opinion that any adverse impact would not be material.

13. RECLASSIFICATION

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation.