



**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**MUSTARD SEED COMMUNITIES, INC.**

Contents  
December 31, 2021 and 2020

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## Independent Auditor's Report

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

### **Opinion**

We have audited the financial statements of Mustard Seed Communities, Inc. (a Georgia corporation, not for profit) (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mustard Seed Communities, Inc. as of December 31, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*AAFCPA, Inc.*

Westborough, Massachusetts  
April 28, 2022

**MUSTARD SEED COMMUNITIES, INC.**Statements of Financial Position  
December 31, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current Assets:		
Cash	\$ 3,180,652	\$ 2,800,370
Current portion of cash restricted for the Formation Program	79,000	79,000
Current portion of pledges receivable	361,871	355,183
Prepaid expenses and other	8,948	28,476
Total current assets	3,630,471	3,263,029
Cash Restricted for the Formation Program, net of current portion	207,172	478,914
Pledges Receivable for the Formation Program	2,500	45,000
Pledges Receivable - Other, net of current portion and allowance	329,819	315,339
Property and Website, net	4,654	5,182
Total assets	<u>\$ 4,174,616</u>	<u>\$ 4,107,464</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 18,478</u>	<u>\$ 18,124</u>
Net Assets:		
Without donor restrictions:		
Operating	2,937,379	2,705,356
Property and website	4,654	5,182
Total without donor restrictions	2,942,033	2,710,538
With donor restrictions	1,214,105	1,378,802
Total net assets	<u>4,156,138</u>	<u>4,089,340</u>
Total liabilities and net assets	<u>\$ 4,174,616</u>	<u>\$ 4,107,464</u>

**MUSTARD SEED COMMUNITIES, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2021 and 2020

	2021			2020		
	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	\$ 265,497	\$ -	\$ 265,497	\$ 389,194	\$ -	\$ 389,194
Less - direct expenses	(7,649)	-	(7,649)	(90,252)	-	(90,252)
Net revenue from special events	257,848	-	257,848	298,942	-	298,942
Contributions and support - cash	4,660,419	464,659	5,125,078	6,043,451	76,897	6,120,348
Contributions and support - donated	488,673	-	488,673	469,200	-	469,200
Interest and other	5,905	-	5,905	7,935	-	7,935
Net assets released from restrictions	629,356	(629,356)	-	224,994	(224,994)	-
Total support and revenue	6,042,201	(164,697)	5,877,504	7,044,522	(148,097)	6,896,425
<b>Operating Expenses:</b>						
Program expenses:						
Grants and aid:						
Cash	4,359,319	-	4,359,319	3,922,789	-	3,922,789
Donated	488,673	-	488,673	469,200	-	469,200
Total grants and aid	4,847,992	-	4,847,992	4,391,989	-	4,391,989
Personnel, related and other	299,022	-	299,022	328,754	-	328,754
Total program expenses	5,147,014	-	5,147,014	4,720,743	-	4,720,743
Administration	305,868	-	305,868	285,826	-	285,826
Fundraising	357,824	-	357,824	346,291	-	346,291
Total operating expenses	5,810,706	-	5,810,706	5,352,860	-	5,352,860
Changes in net assets	231,495	(164,697)	66,798	1,691,662	(148,097)	1,543,565
<b>Net Assets:</b>						
Beginning of year	2,710,538	1,378,802	4,089,340	1,018,876	1,526,899	2,545,775
End of year	\$ 2,942,033	\$ 1,214,105	\$ 4,156,138	\$ 2,710,538	\$ 1,378,802	\$ 4,089,340

The accompanying notes are an integral part of these statements.

**MUSTARD SEED COMMUNITIES, INC.**Statements of Cash Flows  
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 66,798	\$ 1,543,565
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,852	2,321
Changes in operating assets and liabilities:		
Pledges receivable	21,332	(203,177)
Prepaid expenses and other	19,528	42,598
Accounts payable and accrued expenses	354	(3,812)
	<u>109,864</u>	<u>1,381,495</u>
<b>Net cash provided by operating activities</b>		
	<u>109,864</u>	<u>1,381,495</u>
<b>Cash Flows from Investing Activities:</b>		
Maturity of certificate of deposit	-	304,547
Purchase of property and website	(1,324)	-
	<u>(1,324)</u>	<u>-</u>
<b>Net cash provided by (used in) investing activities</b>		
	<u>(1,324)</u>	<u>304,547</u>
<b>Net Change in Cash and Restricted Cash</b>	108,540	1,686,042
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>3,358,284</u>	<u>1,672,242</u>
End of year	<u>\$ 3,466,824</u>	<u>\$ 3,358,284</u>
<b>Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:</b>		
Cash	\$ 3,180,652	\$ 2,800,370
Restricted cash	<u>286,172</u>	<u>557,914</u>
<b>Total cash and restricted cash</b>	<u>\$ 3,466,824</u>	<u>\$ 3,358,284</u>

**MUSTARD SEED COMMUNITIES, INC.**

Statements of Functional Expenses  
For the Years Ended December 31, 2021 and 2020

	2021				2020			
	Program	Adminis- tration	Fundraising	Total	Program	Adminis- tration	Fundraising	Total
<b>Operating Expenses:</b>								
Personnel and related:								
Salaries and wages	\$ 178,656	\$ 158,986	\$ 165,818	\$ 503,460	\$ 214,384	\$ 186,206	\$ 151,959	\$ 552,549
Payroll taxes	14,792	14,699	14,265	43,756	16,547	15,280	12,888	44,715
Employee benefits	6,426	20,809	3,366	30,601	26,773	11,131	6,870	44,774
Recruitment	3,010	9,688	1,472	14,170	-	457	275	732
Total personnel and related	<u>202,884</u>	<u>204,182</u>	<u>184,921</u>	<u>591,987</u>	<u>257,704</u>	<u>213,074</u>	<u>171,992</u>	<u>642,770</u>
Grants and aid:								
Cash	4,359,319	-	-	4,359,319	3,922,789	-	-	3,922,789
Donated	488,673	-	-	488,673	469,200	-	-	469,200
Total grants and aid	<u>4,847,992</u>	<u>-</u>	<u>-</u>	<u>4,847,992</u>	<u>4,391,989</u>	<u>-</u>	<u>-</u>	<u>4,391,989</u>
Other:								
Technology	31,633	12,408	50,394	94,435	28,764	9,040	14,273	52,077
Professional fees	30,000	40,881	11,159	82,040	2,362	26,737	17,890	46,989
Donation processing fees	-	-	43,240	43,240	-	-	59,228	59,228
Printing and publications	587	3,416	27,482	31,485	376	875	22,731	23,982
Website development	13,484	-	17,012	30,496	5,921	-	23,685	29,606
Financial and internet fees	6,207	13,861	1,129	21,197	11,190	8,200	4,643	24,033
Occupancy	8,400	4,200	8,400	21,000	8,400	4,200	8,400	21,000
Insurance	155	9,268	127	9,550	416	8,493	324	9,233
Travel	2,854	4,878	1,700	9,432	3,347	-	528	3,875
Postage	12	3,270	5,018	8,300	19	2,741	9,081	11,841
Direct event expenses	-	-	7,649	7,649	-	-	90,252	90,252
Advertising	116	2,270	3,434	5,820	125	152	10,741	11,018
Telephone	2,630	1,611	1,057	5,298	3,044	720	1,218	4,982
Office and other	60	1,813	2,751	4,624	1,161	5,292	891	7,344
Miscellaneous	-	1,958	-	1,958	-	404	666	1,070
Depreciation	-	1,852	-	1,852	-	2,321	-	2,321
Mission trips - other	-	-	-	-	5,925	-	-	5,925
Bad debt	-	-	-	-	-	3,577	-	3,577
Total other	<u>96,138</u>	<u>101,686</u>	<u>180,552</u>	<u>378,376</u>	<u>71,050</u>	<u>72,752</u>	<u>264,551</u>	<u>408,353</u>
Total operating expenses before direct event expenses	5,147,014	305,868	365,473	5,818,355	4,720,743	285,826	436,543	5,443,112
Direct event expenses	-	-	(7,649)	(7,649)	-	-	(90,252)	(90,252)
Total operating expenses	<u>\$ 5,147,014</u>	<u>\$ 305,868</u>	<u>\$ 357,824</u>	<u>\$ 5,810,706</u>	<u>\$ 4,720,743</u>	<u>\$ 285,826</u>	<u>\$ 346,291</u>	<u>\$ 5,352,860</u>

The accompanying notes are an integral part of these statements.



## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

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### 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 promotes vocations and trains priests, deacons and sisters who 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, 2021, totaled \$1.7 million, including a \$120,000 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

In accordance with ASC Subtopic 958-605, *Revenue Recognition* (Topic 958), 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.

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.

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

Notes to Financial Statements  
December 31, 2021 and 2020

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### **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 (see Note 4). 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.

#### **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.

#### **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.

#### **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, 2021 and 2020, was \$48,602 and \$46,750, respectively.

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

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### 2. 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.

#### 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, and 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.

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Advertising

The Organization expenses advertising costs as incurred.

#### 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, 2021 and 2020. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

#### Subsequent Events

Subsequent events have been evaluated through April 28, 2022, 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.

#### 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, 2021 and 2020, these amounts are restricted as follows:

	<u>2021</u>	<u>2020</u>
Funds held for restricted purposes:		
Restricted for the Formation Program	\$ 288,672	\$ 602,914
Restricted for Dominican Republic	255,776	25,091
Restricted for Jamaica	161,099	182,505
Restricted for Malawi	50,000	50,000
Restricted for Nicaragua	17,376	-
Restricted for Zimbabwe	-	35,000
Total with donor purpose restrictions	<u>772,923</u>	<u>895,510</u>
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>441,182</u>	<u>483,292</u>
Total net assets with donor restrictions	<u>\$ 1,214,105</u>	<u>\$ 1,378,802</u>

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

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### 3. NET ASSETS (Continued)

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

Net assets released from donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Jamaica	\$ 750,714	\$ 1,423,964
Nicaragua	401,126	482,714
Dominican Republic	331,491	208,278
Zimbabwe	162,789	122,724
Formation Program	392,420	63,778
Malawi	-	3,787
	<hr/>	<hr/>
Total funds released from donor restrictions	2,038,540	2,305,245
Less - funds received and released in the same year	<u>1,409,184</u>	<u>2,080,251</u>
Net funds released from net assets with donor restrictions	<u>\$ 629,356</u>	<u>\$ 224,994</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.

Grants and aid - donated for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Medicines, equipment, clothing, food and construction materials	\$ 459,723	\$ 443,538
Shipping fees	<u>28,950</u>	<u>25,662</u>
Total	<u>\$ 488,673</u>	<u>\$ 469,200</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 Jamaica, Nicaragua, Zimbabwe, Malawi and the Dominican Republic (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, 2021 and 2020

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### 5. PLEDGES RECEIVABLE

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

Pledges receivable are due as follows at December 31:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 361,871	\$ 390,183
One to five years	<u>342,462</u>	<u>335,482</u>
	704,333	725,665
Less - allowance for doubtful pledges	10,143	10,143
Less - current portion	<u>361,871</u>	<u>355,183</u>
Long-term pledges receivable, net	<u>\$ 332,319</u>	<u>\$ 360,339</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, 2021 or 2020, 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 2023. During fiscal years 2021 and 2020, the Organization incurred \$21,000 of rent expense that is reflected as occupancy in the accompanying statements of functional expenses. As of December 31, 2021 and 2020, the Organization had prepaid rent due in future years totaling \$1,750 and \$18,750, respectively.

Remaining annual lease payments are due as follows:

2022	\$ 21,000
2023	<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 \$1,429 and \$1,424 in plan-related expenses for the years ended December 31, 2021 and 2020 respectively, which are included in employee benefits expense in the accompanying statements of functional expenses.

### 8. COMMITMENTS

The Organization entered into a five-year agreement for an online fundraising application. The agreement has an annual cancellation option with 45 days' notice prior to each annual term commencement. Annual subscription fees under this agreement were \$36,760 and \$40,044 for the years ended December 31, 2021 and 2020, respectively, and are included in technology in the accompanying statements of functional expenses. Subscription fees for the noncancelable term through December 2022 are \$70,100.

## MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

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### 8. COMMITMENTS (Continued)

The agreement includes a variable fee component of 3% of certain transactions processed online. These payments totaled \$9,266 and \$12,590 for the years ended December 31, 2021 and 2020, 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 that connects its online fundraising application to the customer relationship management platform. The agreement expires in June 2024 with fixed annual payments of \$7,070. Remaining payments are \$7,070 for each of the years ending December 31, 2022 and 2023 and \$3,535 for the year ending December 31, 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 as of December 31, 2020.

### 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>2021</u>	<u>2020</u>
Cash	\$ 3,180,652	\$ 2,800,370
Current portion of restricted cash	79,000	79,000
Current portion of pledges receivable	<u>361,871</u>	<u>355,183</u>
Current financial assets available	<u>\$ 3,621,523</u>	<u>\$ 3,234,553</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.

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

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### **10. LIQUIDITY (Continued)**

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization 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, 2021 and 2020, the level of liquidity and reserves was managed within these ratios.

### **11. CONDITIONAL GRANT**

During 2020, 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 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 accordance with Topic 958, in the accompanying statement of activities and changes in net assets. The forgiveness calculations are subject to audit by the SBA.

### **12. RECLASSIFICATION**

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 presentation.