



FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

MUSTARD SEED COMMUNITIES, INC.

Contents
December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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
May 13, 2024

MUSTARD SEED COMMUNITIES, INC.Statements of Financial Position
December 31, 2023 and 2022

Assets	2023	2022
Current Assets:		
Cash	\$ 2,767,818	\$ 3,277,169
Current portion of pledges and other receivables	528,667	591,656
Prepaid expenses and other	55,150	30,323
Total current assets	3,351,635	3,899,148
Pledges and Other Receivables, net	333,292	296,935
Property and Website, net	6,814	7,959
Total assets	<u>\$ 3,691,741</u>	<u>\$ 4,204,042</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 37,169	\$ 27,470
Net Assets:		
Without donor restrictions:		
Operating	1,853,138	2,928,769
Property and website	6,814	7,959
Total without donor restrictions	1,859,952	2,936,728
With donor restrictions	1,794,620	1,239,844
Total net assets	<u>3,654,572</u>	<u>4,176,572</u>
Total liabilities and net assets	<u>\$ 3,691,741</u>	<u>\$ 4,204,042</u>

MUSTARD SEED COMMUNITIES, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Special events:						
Event contributions and support	\$ 268,035	\$ -	\$ 268,035	\$ 124,321	\$ -	\$ 124,321
Less - direct expenses	(68,103)	-	(68,103)	(34,311)	-	(34,311)
Net revenue from special events	199,932	-	199,932	90,010	-	90,010
Contributions and support - cash	5,046,271	1,172,196	6,218,467	5,266,311	631,760	5,898,071
Contributions and support - donated	326,056	-	326,056	175,710	-	175,710
Interest and other	25,254	-	25,254	6,494	-	6,494
Net assets released from restrictions	617,420	(617,420)	-	606,021	(606,021)	-
Total support and revenue	6,214,933	554,776	6,769,709	6,144,546	25,739	6,170,285
Operating Expenses:						
Program expenses:						
Grants and aid:						
Cash	5,508,696	-	5,508,696	4,763,172	-	4,763,172
Donated	326,056	-	326,056	175,710	-	175,710
Total grants and aid	5,834,752	-	5,834,752	4,938,882	-	4,938,882
Personnel, related and other	603,873	-	603,873	495,354	-	495,354
Total program expenses	6,438,625	-	6,438,625	5,434,236	-	5,434,236
Administration	456,277	-	456,277	335,878	-	335,878
Fundraising	396,807	-	396,807	379,737	-	379,737
Total operating expenses	7,291,709	-	7,291,709	6,149,851	-	6,149,851
Changes in net assets	(1,076,776)	554,776	(522,000)	(5,305)	25,739	20,434
Net Assets:						
Beginning of year	2,936,728	1,239,844	4,176,572	2,942,033	1,214,105	4,156,138
End of year	\$ 1,859,952	\$ 1,794,620	\$ 3,654,572	\$ 2,936,728	\$ 1,239,844	\$ 4,176,572

The accompanying notes are an integral part of these statements.

MUSTARD SEED COMMUNITIES, INC.Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (522,000)	\$ 20,434
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	2,469	1,584
Bad debt	108,753	6,938
Changes in operating assets and liabilities:		
Pledges and other receivables	(82,121)	(201,339)
Prepaid expenses and other	(24,827)	(21,375)
Accounts payable and accrued expenses	9,699	8,992
Net cash used in operating activities	(508,027)	(184,766)
Cash Flows from Investing Activities:		
Purchase of property and website	(1,324)	(4,889)
Net Change in Cash	(509,351)	(189,655)
Cash:		
Beginning of year	3,277,169	3,466,824
End of year	<u>\$ 2,767,818</u>	<u>\$ 3,277,169</u>

MUSTARD SEED COMMUNITIES, INC.

Statements of Functional Expenses
For the Years Ended December 31, 2023 and 2022

	2023				2022			
	Program	Adminis- tration	Fundraising	Total	Program	Adminis- tration	Fundraising	Total
Operating Expenses:								
Personnel and related:								
Salaries and wages	\$ 344,298	\$ 201,288	\$ 201,850	\$ 747,436	\$ 281,409	\$ 177,572	\$ 180,769	\$ 639,750
Payroll taxes	26,710	16,207	16,132	59,049	21,912	14,428	15,120	51,460
Employee benefits	19,464	12,484	5,919	37,867	20,951	19,029	7,095	47,075
Recruitment	-	2,788	-	2,788	-	4,237	105	4,342
Total personnel and related	<u>390,472</u>	<u>232,767</u>	<u>223,901</u>	<u>847,140</u>	<u>324,272</u>	<u>215,266</u>	<u>203,089</u>	<u>742,627</u>
Grants and aid:								
Cash	5,508,696	-	-	5,508,696	4,763,172	-	-	4,763,172
Donated	326,056	-	-	326,056	175,710	-	-	175,710
Total grants and aid	<u>5,834,752</u>	<u>-</u>	<u>-</u>	<u>5,834,752</u>	<u>4,938,882</u>	<u>-</u>	<u>-</u>	<u>4,938,882</u>
Other:								
Professional fees	74,366	41,694	18,115	134,175	65,140	48,221	39,042	152,403
Bad debt	-	108,753	-	108,753	-	6,938	-	6,938
Technology	39,986	14,615	24,270	78,871	39,454	14,262	25,887	79,603
Direct event expenses	-	-	68,103	68,103	-	-	34,311	34,311
Travel	40,186	12,009	10,490	62,685	22,175	6,242	11,571	39,988
Donation processing fees	-	-	57,711	57,711	-	-	36,383	36,383
Website development	26,250	-	26,250	52,500	16,294	-	20,994	37,288
Occupancy	9,900	4,950	9,900	24,750	8,400	4,200	8,400	21,000
Financial and internet fees	6,910	15,644	1,134	23,688	7,230	15,007	1,134	23,371
Printing and publications	476	886	15,680	17,042	2,587	1,011	21,365	24,963
Insurance	598	10,079	496	11,173	391	11,403	324	12,118
Mission trips - other	10,541	-	-	10,541	5,934	-	-	5,934
Postage	10	2,709	6,295	9,014	117	2,047	9,179	11,343
Office and other	418	6,897	682	7,997	384	7,666	533	8,583
Telephone	3,499	712	1,144	5,355	2,976	1,276	1,134	5,386
Miscellaneous	261	2,093	153	2,507	-	755	-	755
Depreciation	-	2,469	-	2,469	-	1,584	-	1,584
Advertising	-	-	586	586	-	-	702	702
Total other	<u>213,401</u>	<u>223,510</u>	<u>241,009</u>	<u>677,920</u>	<u>171,082</u>	<u>120,612</u>	<u>210,959</u>	<u>502,653</u>
Total operating expenses before direct event expenses	<u>6,438,625</u>	<u>456,277</u>	<u>464,910</u>	<u>7,359,812</u>	<u>5,434,236</u>	<u>335,878</u>	<u>414,048</u>	<u>6,184,162</u>
Direct event expenses	<u>-</u>	<u>-</u>	<u>(68,103)</u>	<u>(68,103)</u>	<u>-</u>	<u>-</u>	<u>(34,311)</u>	<u>(34,311)</u>
Total operating expenses	<u>\$ 6,438,625</u>	<u>\$ 456,277</u>	<u>\$ 396,807</u>	<u>\$ 7,291,709</u>	<u>\$ 5,434,236</u>	<u>\$ 335,878</u>	<u>\$ 379,737</u>	<u>\$ 6,149,851</u>

The accompanying notes are an integral part of these statements.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2023 and 2022

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, 2023, totaled \$1.7 million, including a \$90,000 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* (Subtopic 958-605), 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. Subtopic 958-605 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 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, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Support - Donated

The Organization's policy related to donated goods and services is to utilize the assets given to carry out the mission of the Organization. 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 at the time of donation and are reported as unrestricted support and revenue unless explicit donor stipulations specify how donated assets must be used. 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. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, but which do not meet the criteria for financial statement recognition.

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

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash.

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 statements 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.

Property and website had a cost of \$58,280 and \$56,956 as of December 31, 2023 and 2022, respectively. Accumulated depreciation as of December 31, 2023 and 2022, was \$51,466 and \$48,997, respectively.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through May 13, 2024, 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, 2023 and 2022, these amounts are restricted as follows:

	<u>2023</u>	<u>2022</u>
Funds held for restricted purposes:		
Restricted for the Dominican Republic	\$ 491,553	\$ 386,882
Restricted for Malawi	387,379	50,000
Restricted for the Formation Program	218,294	244,193
Restricted for Jamaica	199,205	135,417
Restricted for Zimbabwe	122,624	-
Restricted for Nicaragua	<u>11,767</u>	<u>16,346</u>
Total with donor purpose restrictions	1,430,822	832,838
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>363,798</u>	<u>407,006</u>
Total net assets with donor restrictions	<u>\$ 1,794,620</u>	<u>\$ 1,239,844</u>

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2023 and 2022

3. NET ASSETS (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets released from donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Jamaica	\$ 2,017,340	\$ 1,747,306
Dominican Republic	1,025,585	448,660
Nicaragua	324,629	336,001
Zimbabwe	107,798	107,276
Formation Program	77,099	95,679
Malawi	<u>68,424</u>	<u>24,706</u>
Total funds released from donor restrictions	3,620,875	2,759,628
Less - funds received and released in the same year	<u>3,003,455</u>	<u>2,153,607</u>
Net funds released from net assets with donor restrictions	<u>\$ 617,420</u>	<u>\$ 606,021</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 in the accompanying statements of activities and changes in net assets and are expensed as grants and aid - donated in the accompanying statements of functional expenses.

Grants and aid - donated for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Medicines, equipment, clothing, food and construction materials	\$ 297,418	\$ 159,996
Shipping fees	<u>28,638</u>	<u>15,714</u>
Total	<u>\$ 326,056</u>	<u>\$ 175,710</u>

The Organization received medicine, equipment, clothing, food, and construction materials from its donors which were utilized by the Organization's programs. Goods from donors are valued based on historical donations of similar kind or on current market prices that the Organization would pay to a vendor at the time of donation.

The Organization also received in-kind shipping fees from a vendor which were used to support program services. Shipping from the vendor is valued based on fair market prices received from the vendor.

There were no donor-imposed restrictions associated with the donated goods and services.

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2023 and 2022

4. GRANTS AND AID AND RELATED PARTIES (Continued)

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.

5. PLEDGES AND OTHER RECEIVABLES

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

Pledges and other receivables are due as follows at December 31:

	<u>2023</u>	<u>2022</u>
Pledges due in less than one year	\$ 485,150	\$ 382,666
Pledges due in one to five years	379,637	314,016
Employer Retention Tax Credit Receivable (see Note 10)	<u>43,517</u>	<u>208,990</u>
	908,304	905,672
Less - allowance for doubtful pledges	46,345	17,081
Less - current portion	<u>528,667</u>	<u>591,656</u>
Long-term pledges and other receivables, net	<u>\$ 333,292</u>	<u>\$ 296,935</u>

No discount was recorded at December 31, 2023 or 2022, as the discount amount would be immaterial to the accompanying financial statements.

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 \$1,868 and \$2,164 in plan-related expenses for the years ended December 31, 2023 and 2022, respectively, which are included in employee benefits expense in the accompanying statements of functional expenses.

7. 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 \$70,100 for the years ended December 31, 2023 and 2022, and are included in technology in the accompanying statements of functional expenses. Subscription fees for the noncancelable term through December 2026 are as follows:

2024	\$ 53,984
2025	72,712
2026	<u>76,407</u>
Total	<u>\$ 203,103</u>

MUSTARD SEED COMMUNITIES, INC.

Notes to Financial Statements
December 31, 2023 and 2022

7. COMMITMENTS (Continued)

The agreement includes a variable fee component of 3% of certain transactions processed online. These payments totaled \$16,420 and \$5,949 for the years ended December 31, 2023 and 2022, 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. Payments for each of the years ended December 31, 2023 and 2022, are included in technology in the accompanying statements of functional expenses. Remaining payments are \$3,535 for the year ending December 31, 2024.

8. CONCENTRATIONS

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. The Organization also maintains cash in banks insured by the Deposit Insurance Fund (DIF). DIF insures all balances over \$250,000. The Organization had approximately \$1,621,596 and \$1,737,000 insured under this program at December 31, 2023 and 2022, respectively.

As of December 31, 2023, 26% of pledges and other receivables was due from one donor. As of December 31, 2022, 24% of pledges and other receivables was due from the Federal Employee Retention Tax Credit program (see Note 10).

9. LIQUIDITY

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,767,818	\$ 3,277,169
Current portion of pledges and other receivables	<u>528,667</u>	<u>591,656</u>
Current financial assets available	<u>\$ 3,296,485</u>	<u>\$ 3,868,825</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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9. 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, 2023 and 2022, the level of liquidity and reserves was managed within these ratios.

10. CONDITIONAL GRANT

The Employee Retention Tax Credit (ERTC) was first established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and September 30, 2021 (2021 ERTC). To be eligible, the Organization must meet certain conditions as described in applicable laws and regulations.

The Organization has determined that it qualifies for both the 2020 ERTC and 2021 ERTC, and therefore, is accounting for them as conditional grants under Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of December 31, 2022, and the Organization recorded approximately \$209,000 of ERTCs as contribution revenue in the accompanying 2022 statement of activities and changes in net assets. During 2023, the Organization received \$165,473 of the ERTCs and expects to receive the remaining \$43,517 in 2024, which is included in the current portion of pledges and other receivables in the accompanying statement of financial position. Eligibility for the credit and the credit calculations is subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of the Organization as of December 31, 2023 and 2022, and on the changes in its net assets for the years then ended.

11. RECLASSIFICATION

Certain amounts in the 2022 financial statements have been reclassified to conform with the 2023 presentation.